FINANCIAL TIMES

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India: riding the tiger with many heads, Page 16

World News

Gulf peace conference proposed by Soviets

The Soviet Union had offered to hold a peace conference in Moscow to end the war between Iran and Iraq, Israeli Defence Minister Yitzhak Rabin said.Page 4

Meanwhile, Vernon Walters, US ambassador to the United Nations, held talks with Soviet officials then announced the UN was close to drawing up a resolution demanding a ceasefire in the Gulf war. He saw little difference in the US and Soviet views on the issue.

In the northern Gulf, an Iraqi warplane attacked the Iranian supertanker Dena, the fifth time the vessel had been attacked during the war. The tanker had just left a Dubai dry dock after repairs from the previous strike.

Iran-France tension

Tension mounted between Iran and France as both countries maintained police cordons around each other's embassies.

Peres conference call

Israeli Foreign Minister Shimon Peres called for an international conference on Middle East economic development to prevent a revenue crisis that could lead to a rise in Iranian-style Moslem fundamentalism.

Rhine pledge

Environment ministers of the Rhine countries agreed to halve pollution in the river by 1995 and make Rhine-based industries introduce new anti-pollution technology.

Flights warning

A senior Euro-MP said there were warning signs for European air safety as aircraft occupied more air space and airline competition increased pressure to reduce costs.

'Necklace' law

South Africa welcomed new US legislation prohibiting aid to countries that support the "necklace" killing of blacks suspected of collaborating with Pretoria's white leaders.

Radio dispute

A fierce waveband dispute between Vatican Radio and four private radio stations led to arson attacks against religious targets.

Seoul party talks

South Korea's ruling party leader Roh Tae-woo made a surprise visit to the main opposition headquarters to urge a quick, mutually agreeable decision on a new constitution.Page 4

Bhopal culprit

Union Carbide said it knew the identity of the worker who caused the gas leak at its Bhopal plant that killed 2,352 people - and would disclose the information at the appropriate time.

Beirut bomb

A bomb, believed to have been planted in a car, exploded near Syria's heavily guarded military headquarters in Moslem west Beirut. There were no casualties.

Peron grave ransom

Grave-robbers cut the hands off former Argentine President Juan Peron in a tomb in Buenos Aires and were demanding an $8m ransom for their return, a judge said. The coffin had a 170kg glass cover and 12 triple-combination locks.

Pollution 'tomb'

Soviet experts planned to "entomb" a sunken passenger liner off Novorossiysk under a vast rubber tent to end oil leakage into the Black Sea from the ship's 400 tonnes of fuel oil.

Gourmet gang

Thieves stole 150kg of snails - used with tomato, garlic and parsley in a traditional summer dish - from a market in Messina, Sicily.

Business Summary

US tries to calm Antilles tax fear

The US Treasury yesterday tried to calm the chaos in the Eurobond market caused by its decision to terminate the US tax treaty with the Netherlands Antilles and said it would propose legislation exempting from US withholding tax the more than $30bn of Eurobonds issued by US companies through offshore finance companies.

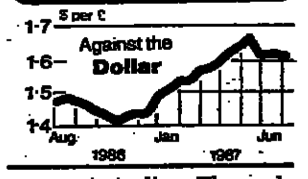
WALL STREET: the Dow Jones industrial average closed up 26.94 at 2436.7. Page 44

DOLLAR closed in New York at DM1.8330, at FFr6.1075, at SFr1.5325, and at Y147.45. Earlier, in London, it rose to DM 1.8320 (DM 1.8280); to Y147.25 (Y146.75); to SFr 1.5220 (SFr 1.5190); and to FFr 6.1075 (FFr 6.10). On Bank of England figures the dollar's exchange rate index rose 0.2 to 102.4. Page33

BRITAIN'S gold and foreign currency reserves fell in June, reflecting modest intervention to support sterling. The underlying fall of $230m contrasted with substantial increases in April and May. Page 7

UK OFFICIAL RESERVES

STERLING



STERLING fell in London to $1.6150 ($1.6165); but rose to DM 2.9575 (DM 2.9550); to Y237.75 (Y237.25); to FFr 9.8625 (FFr 9.86); and to SFr 2.4575 (SFr 2.4550). The pound's exchange rate index rose 0.2 to 72.5. Page 33

GOLD rose $0.25 on the London bullion market to close at $446.75. In Zurich it fell to $447.25 ($448.25). Page 32

TOKYO: Buying of high-tech and chemical issues gathered momentum and sent share prices sharply higher. The Nikkei average closed up 384.08 at 24,636.46. Page 44

LONDON: Selective buying from Japan helped equities rebound strongly. The FT-SE 100 index rose 27.6 to 2,297.4 and the FT Ordinary index added 22.5 to 1,794.6. Details Page 40

IMASCO, Canadian fast food, tobacco and retailing group, plans to sell its Sutter Hill Developments property subsidiary to Alexis Nihon Group of Montreal for C$200m ($150m).Page 19

HEIDELBERGER ZEMENT AG reported a 5 per cent fall in turnover to DM 313m ($172m) for the first six months of 1987, partly due to a drop in industrial and home building activit

NOKIA OY, the Finnish electronics company, said it was taking part in a four-year project, under the European technology co-operation scheme Eureka, to develop a new television standard in Europe.

PUMA AG Rudolf Dassler Sport, the German sports equipment manufacturer, postponed its annual shareholders meeting. No datehas been fixed for the meeting, originally scheduled for August.Page 20

KREDIETBANK of Luxembourg raised net profits to LuxFr 829m ($21.8m) from LuxFr 712m for the year ended March 1987, largely by expanding its free-earning activities.Page 29

ABITIBI-PRICE, world's largest newsprint producer, is ready for an expansion in the US following reorganisation of its parent, Gulf Canada.The company will be listed shortly on the New York Stock Exchange. Page 19

REICHHOLD CHEMICALS, New York-based manufacturer of polymers and adhesives, rejected a $460m tender offer put forward by Dainippon Ink and Chemicals of Japan.Page 19

Brussels threatens legal action over EC-wide mergers

BY WILLIAM DAWKINS IN BRUSSELS

SENIOR European Commission officials are threatening to take direct legal action on a case-by-case basis against EC-wide mergers likely to distort competition.

EC competition authorities are to ask the Brussels executive to withdraw a controversial general directive for Community controls on large cross-border takeovers if Britain maintains its lone opposition to the scheme over the next few months.

The Commission, which has in the past year significantly toughened its interpretation of EC competition rules, is keen to bring to an end more than 14 years of wrangling over the scheme, which would allow it to impose conditions on transborder takeovers and even forbid deals.

Mr Peter Sutherland, the Irish Competition Commissioner, is expected to meet Lord Young, the UK Trade and Industry Secretary, to press for a rethink, but diplomats gave little sign of any flexibility in Britain's position yesterday.

If, as is likely, Commissioners agree to carry out the threat, they would use clauses in the Treaty of Rome outlawing abuses of dominant market positions. Officials are also considering using a separate clause that would oblige such takeovers to get individual clearance from Brussels before going ahead. In either case, the outcome for merger candidates would be less predictable and possibly more restrictive than that available in the draft directive.

Commission officials refused to name recent EC-wide takeovers that would come in for scrutiny if they carried out their threat. But it is understood that competition questions could be provoked by the recent merger of the telephone interests of CGE of France and ITT of the US. to form a business with more than 40 per cent of EC telecommunications equipment sales.

Future mergers could run into serious delays as applications for clearance queued up for decision, Brussels competition lawyers said last night.

The merger control directive has been stuck in argument between national officials since its adoption by the Commission in 1973. The Brussels authorities tried to revive the proposal last year in bilateral talks which eventually won the support of France, Italy and West Germany.

Britain, however, refused to follow the rest on the grounds that it does not believe takeover rules should be directed from Brussels and that the UK is in the middle of its own review of competition policy. The Commission was prepared to put the talks on ice until after the UK General Election, but now wants to step up progress with the aim of getting the plan debated in the Council of Ministers later this year.

The proposal, which has been through several changes to satisfy other member states' worries, would require the Commission to be informed in advance of proposed EC-wide mergers that would produce groups with a combined turnover of more than Ecu 750m ($853m) and with an EC market share of more than 20 per cent.

Community mergers would include deals where the parties in sited in different member states, where one of them has substantial subsidiaries throughout the EC or where a non-Community company takes over a group operating in several member states.

Stoltenberg under attack over Bonn deficit plan

BY DAVID MARSH IN BONN

THE WEST GERMAN Government yesterday ran into an unusually strong tide of domestic criticism after announcing 1988 budget plans which foresee only modest spending growth and a sharp widening in the federal deficit next year.

Mr Gerhard Stoltenberg, the Finance Minister, who is having to steer a tricky passage between foreign calls for budgetary stimulus and domestic worries about widening deficits, claimed yesterday that the 1988 plans confirmed Bonn's "thrifty and restrained spending policies".

However, the minister, who is fighting to lay the groundwork for a more ambitious tax-cutting package for 1990, is facing protests both from the Opposition and within the Government that his fiscal policies are becoming increasingly unsound.

Mr Hans-Jochen Vogel, the new chairman of the Social Democratic Party (SPD), yesterday accused the Government of steering the country towards "financial crisis".

At the same time, pressures for more spending are growing from an assorted collection of groups including farmers, steelworkers and defence lobbyists.

This is certain to keep the political climate on the boil well into the autumn, when the Government not only has to make a number of acute longer-term public spending decisions but also faces two more difficult state (Land) elections.

The 1988 budget, approved by the cabinet during an all-day meeting on Wednesday, projects a 2.4 per cent increase in spending to DM 275bn ($150bn) next year and an 11 per cent widening of the federal borrowing requirement from DM 26.3bn to DM 29.3bn. It includes DM 14bn of tax cuts,increased by DM 5bn from original plans in a modest bid to stimulate next year's growth.

This year's deficit is already projected at a full DM 4bn above the DM 22.3bn projected only two months ago. There is considerable doubt whether Mr Stoltenberg will be able to achieve next year's deficit target in view of uncertainties over economic growth and additional requirements to fund the EC.

This has led to suggestions from the Government's own conservative supporters that Mr Stoltenberg will either have to water down the 1990 tax cuts or else increase value added tax to finance them.

This year's sharp overshooting in the deficit is a result of stagnating tax revenues resulting from the near-zero inflation rate and the sluggish economy. Government officials now say in private that gross national product this year could grow by even slightly less than the 1.5 per cent officially forecast by the Organisation for Economic Cooperation and Development.

Mr Stoltenberg yesterday acknowledged that the low inflation rate added to budgetary problems but said this was outweighed by "the gain in stability".

Amid the flurry of controversy over the Government's budgetary policies yesterday:

- Mr Stoltenberg announced that the sale of the Government's 16 per cent stake in the Volkswagen car group, originally planned for this year, had been postponed to 1988 because of the company's recent foreign exchange fraud scandal. Proceeds from sales of state stakes in companies will now probably fall short of the 1987 target of DM 3.3bn.
- Defence officials voiced disappointment and bitterness that Mr Stoltenberg had trimmed back the 1988 defence budget to DM 51.6bn from DM 53bn sought by Mr Manfred Woerner, the Defence Minister. Mr Stoltenberg announced a thorough review of long-term defence and armament spending for the autumn.

Background, Page 2

Reed leads British publishing after takeover of Octopus

BY RAYMOND SNODDY IN LONDON

REED INTERNATIONAL,UK the publishing, paper and packaging group yesterday announced an agreed takeover for Octopus, the largest independent British publisher in a deal worth £535m ($856m).

This is the third major takeover in the British publishing industry in the past month and by far the largest. The combined publishing interests of Reed and Octopus will involve an annual turnover of more than £1bn, making Reed the largest British-owned publisher.

The Reed acquisition follows the sale of Associated Book Publishers (ABP) to International Thomson for £210m and the Random House purchase of Chatto, Virago, Bodley Head and Jonathan Cape.

Mr Paul Hamlyn, chairman of Octopus, whose imprints include Heineman, Secker & Warburg and Mitchell Beazley, decided not to hold an auction for the company as happened at ABP. Instead he approached Reed.

Mr Hamlyn commented yesterday :"I have long had two ambitions for Octopus: to see that it can realise its full potential for growth in international publishing and to give it a secure future."

He believed he had achieved both with yesterday's deal.

Reed has already received acceptances of the cash and shares offer for 68 per cent of Octopus shares held by Mr Paul Hamlyn and his family and BTR which became a major shareholder when Octopus acquired Heinemann in 1985.

Mr Hamlyn will remain chairman of Octopus which will become a separate operating group within Reed, retaining its imprints. The Octopus chairman will receive about £30m in cash and shares worth about £100m. He has undertaken to hold on to the shares for at least two years.

In a separate development,it became clear that on Monday before the Reed deal was finalised Mr Hamlyn transferred 10m of the ordinary shares in Octopus, worth about £50m to a family charitable trust.

In the past Mr Hamlyn has provided money for charities helping the disabled and the blind and has also been active in promoting the arts.

Lex, Page 18; analysis, Page 28

Eduard Shevardnadze

Moscow may delay Shultz meeting

By Patrick Cockburn in Moscow and Stewart Fleming in Washington

THE SOVIET UNION yesterday reduced hopes of progress towards a summit meeting with the US by saying that Mr Eduard Shevardnadze, the Soviet Foreign Minister, would not meet his US counterpart, Secretary of State George Shultz, as expected until there was a breakthrough in the nuclear arms reduction talks in Geneva.

Mr Boris Pyadyshev, the Soviet Foreign Ministry spokesman, complained yesterday of 'very slow movement in Geneva. If there is no progress in negotiations why should a Soviet minister go to America? The date completely depends on the American side.'

In Washington, however, Administration officials did not seem unduly alarmed by the statement and continued to express guarded optimism about the prospects for a meeting between Mr Shultz and Mr Shevardnadze later this month.

It was suggested that hard bargaining is underway over the final details of an Intermediate Nuclear Forces (INF) accord and that a meeting between the foreign ministers this month and probably another one later in the year would be needed to push the negotiations ahead.

The Soviet side evidently believes that President Ronald Reagan's Administration is eager for a summit meeting with Mr Mikhail Gorbachev, the Soviet leader, in Washington later this year but is still hesitating about making concessions on medium and shorter range missiles at the Geneva talks.

Reports that a breakthrough is near on some of the current sticking points, in particular the suggestion that Washington is ready to drop its insistence that it has the right to

Continued on Page 18

The Toshiba Affair

Angry Diet seeks China missile probe

BY PETER BRUCE AND IAN RODGER IN TOKYO AND STEWART FLEMING IN WASHINGTON

THE JAPANESE Government is coming under pressure from an angry Diet to investigate claims that US companies illegally sold missile technology to communist China through Hong Kong and that these missiles are now aimed at Japan.

The pressure is an indication of rising political temper in Japan in the wake of a US Senate vote on Tuesday night to ban imports of products manufactured by the Toshiba electronics concern for two years because a subsidiary sold sensitive machinery to the Soviet Union.

Japanese officials say Diet members are also pressing them to come up with tit-for-tat evidence of other violations of Western rules governing the export of sensitive equipment to communist countries by US companies.

The missile claim relates to the sale of computers to China in the early 1980s by an American producer. Japanese politicians believe the computers were used in the design and production of long-range missiles.

In Washington a senior State Department official said the claim was "just not true."

He sharply criticised the reaction in Tokyo to Toshiba's problems with the US, saying that Japan still did not appear to understand the situation.

"This kind of avenue to tackle the Toshiba problem is like playing Russian roulette with all the rounds in the gun," he said of the alllegations.

Japanese political and business leaders have been infuriated by the Senate vote in retaliation for the sale by a Toshiba subsidiary, Toshiba Machine, of eight sophisticated machine tools to the Soviet Union between 1981 and 1984 which helped the Soviets build quieter submarines.

The chairman and president of Toshiba both resigned on Wednesday, a month after the Government fined Toshiba Machine, banned it from doing business with communist countries for a year and arrested two senior managers. The subsidiary's chairman also resigned.

Political and business leaders here feel the company has been punished enough and see the congressional moves to ban Toshiba as pure vengeance, proba-

Continued on Page 18

Bleak future, Page 6

De Beers in capital link with Botswana

BY STEFAN WAGSTYL IN LONDON AND JIM JONES IN JOHANNESBURG

DE BEERS, the South African diamond mining and marketing group, is forging closer links with the Government of Botswana in a deal will tighten the company's grip on the world's supply of diamonds.

The company is issuing 20m shares, or 5.27 per cent of the enlarged capital, to De Beers Botswana Mining company (Debswana), a 50:50 joint venture with the Botswana Government, which will therefore effectively own 2.6 per cent of De Beers. In return for the shares, worth R770m ($377m) at the issue price, plus an unspecified amount of cash, Debswana is selling to De Beers a stockpile of diamonds built up during the recession years 1982-85.

Following the agreement, signed in Gaborone yesterday, Debswana will nominate two directors to the main board of De Beers and of the Diamond Trading Company, its London-based gemstone marketing arm. As a result, De Beers will almost certainly have its first black directors.

Botswana is uniquely important to De Beers, which has developed three of the world's richest diamond mines in the country lying on South Africa's northern border. Debswana last year produced 13.1m carats of diamonds - 55 per cent of the De Beers' output - compared with 9.8m carats mined in South Africa.

In Johannesburg last night Mr Julian Ogilvie Thompson, De Beers' chairman, said that De Beers itself had proposed the issue of shares to Debswana. Mr Ogilvie Thompson denied that Botswana had ever threatened to stop selling diamonds through De Beers' Central Selling Organisation, which controls 80-85 per cent of the world's sales of rough (uncut) diamonds.

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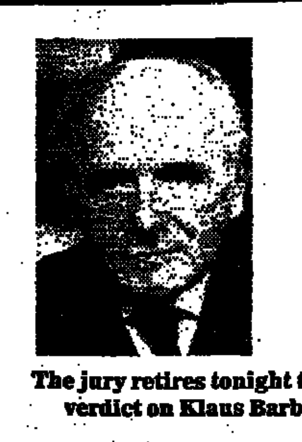


CLIMAX OF THE TRIAL THAT DIVIDED FRANCE

The jury retires tonight to consider its verdict on Klaus Barbie. Page 18

WEST GERMAN FEDERAL BUDGET

Stoltenberg tries to talk down prospect of VAT rise

BY DAVID MARSH IN BONN

THE Bavarian Prime Minister, Mr Franz Josef Strauss, has already caused Mr Gerhard Stoltenberg, the West German Finance Minister, considerable discomfort this year.

This week he fired a further shot across Mr Stoltenberg's bows, raising in public the idea that the Government would have to increase valued added tax to help finance increasing budgetary burdens resulting from EC commitments and help for the domestic steel industry.

Answering questions at a news conference yesterday on the 1988 budget spending plans *approved by the cabinet on* Wednesday, Mr Stoltenberg icily rejected the invitation to particiuate in a "speculative debate" about a VAT increase to cover prospective deficits.

Under fire from both left and right over the allegedly shaky basis on which the Government is planning a 1990 tax-cutting package, Mr Stoltenberg said the Bonn coalition would stick to the letter of its agreement in March ruling out any VAT increase to raise cash.

The statement, however, is unlikely to banish the belief that VAT, now 14 per cent, may at some stage have to be raised to ease strains on the budget which are more political than economic.

Bonn officials confirm that Mr Stoltenberg has no intention at present of increasing VAT to finance the net DM 20bn worth of tax cuts to be made in 1990. The package is conceived as Bonn's main contribution to international efforts to boost growth.

Any increase in VAT—even though Mr Stoltenberg could try to sell it as part of gradual harmonisation towards the mainly higher VAT rates in the rest throughout the EC—would be highly controversial. The opposition Social Democratic Party *has* already complained that the 1990 tax cuts are geared mainly to the rich. A VAT increase, hitting lower-income families proportionately harder, *would* be *grist to the* Opposition's mill.

Mr Stoltenberg this autumn aims to work out with the coalition budgetary savings of *around DM 19bn in 1990 to* accompany a package of a total DM 39bn of tax cuts—making a net stimulus of DM 20bn.

WEST GERMAN FEDERAL BUDGET—DMbn

	1987	1988
Expenditure	268.6	275.0
Receipts—tax	216.5	222.5
—other	25.8	23.3
Net borrowing	26.3	29.3

1988 budget spending

		%
Labour and social	60.2	(+ 2.2)
Defence	51.6	(+ 2.1)
Transport	25.7	(+ 0.6)
Family	19.1	(+ 0.9)
Agriculture	8.5	(+ 7.4)
Economy	6.4	(+15.1)
Debt service	36.0	(+ 5.4)

Officials say the Minister's present idea is to raise about two-thirds of the DM 19bn through cuts in subsidies—including the abolition of some tax breaks on personal income tax—with the other one-third coming from increases in indirect taxes such as those on oil and tobacco.

However, the plan could be scuppered if Mr Stoltenberg in the meantime has to give in to demands for higher spending in areas such as steel and agriculture. As a result, Mr Strauss's VAT suggestion cannot be totally ruled out.

Mr Stoltenberg has already been bruised twice by encounters with Mr Strauss in recent months. Partly in a deliberate bid to trim Mr Stoltenberg's sails, Chancellor Helmut Kohl made the Bavarian leader a public offer of the Finance Ministry job in March. Mr Strauss turned it down—but Mr Stoltenberg's image suffered.

The Finance Minister also finished on the losing side in an argument within the coalition in recent months over funding for the European Airbus consortium, of which Mr Strauss is supervisory board chairman.

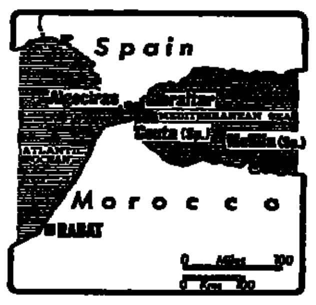
"It was not a sign of Stoltenberg's weakness, but of *Strauss's strength," said one* official this week—an indication that more tussles may be ahead.

Spain in talks on enclaves

BY DAVID WHITE IN MADRID

MOROCCO will step up its pressure on Spain for discussions on the remaining Spanish territories in North Africa during a two-day visit to Rabat by Mr Francisco Fernandez Ordonez, the Foreign Minister.

He is expected tomorrow to meet King Hassan, who in January this year proposed the setting-up of a "reflection cell" to discuss the future of Ceuta and Melilla, the two Spanish towns which Morocco claims. Spain, anxious to keep the issue separate from its own claim to the British colony of Gibraltar, rules out any talks that would bring sovereignty over the garrison towns into question.



The Minister's mission is particularly delicate because of Spain's anxiety to maintain access to Moroccan-controlled fishing waters. Its current agreement, signed in 1983 and involving a $550m financial aid package to Morocco, expires at the end of the month. Now that Spain is in the European Community, a new pact depends on negotiations between Rabat and Brussels.

Morocco has made an *implicit* linkage between the fishing pact and its negotiations on a new commercial agreement with the Community. The delay in reaching agreement has raised concern in Madrid that the fisheries issue, which affects some 700 Spanish vessels and could become a big social issue in the south, will also be used as leverage in the Spanish enclave question, given the importance which is being attached in Morocco to the King's latest initiative.

Greece's hidden economy

BY ANDRIANA IERODIACONOU IN ATHENS

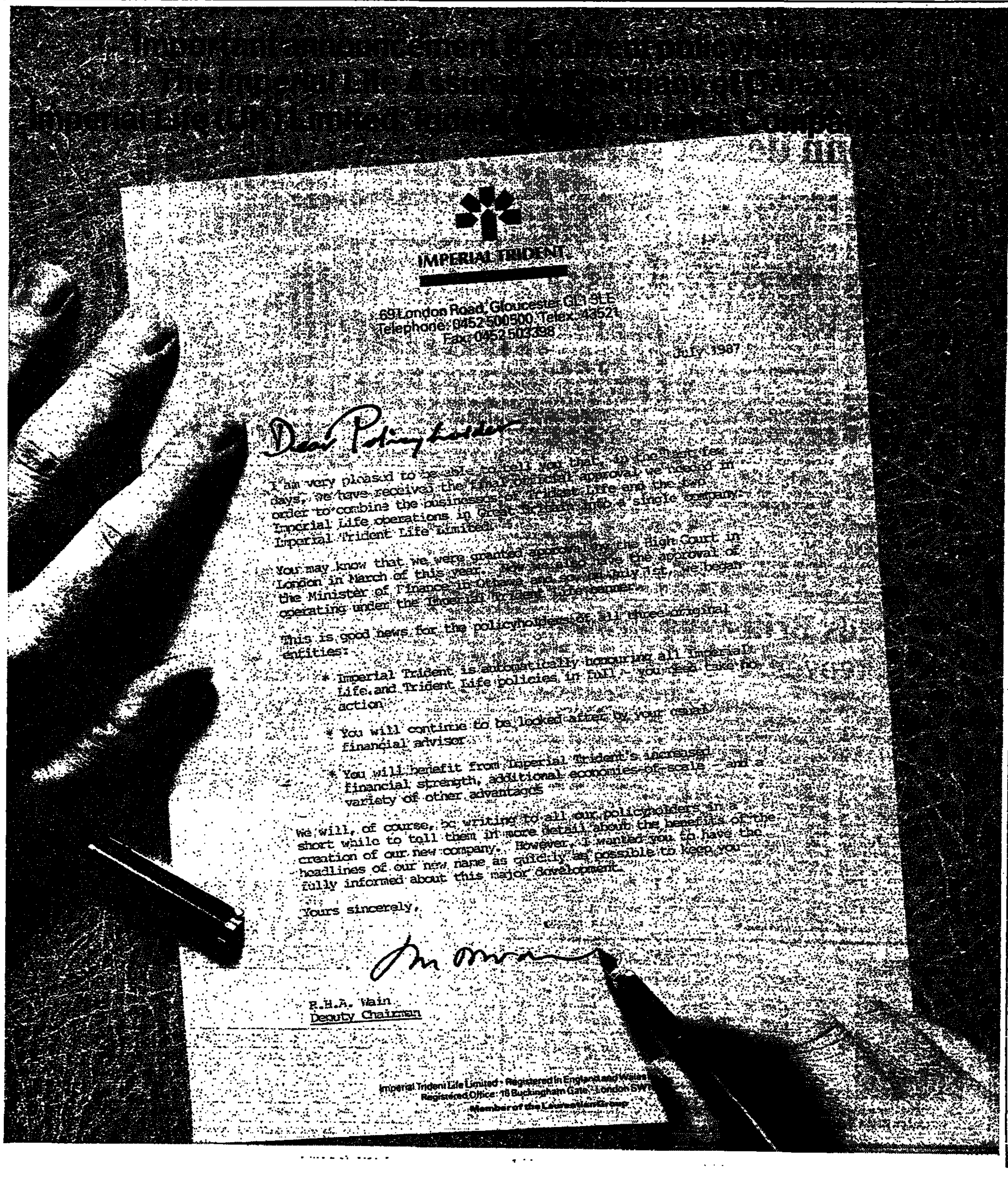
THE BLACK economy in Greece is running at levels equivalent to 30 per cent of the official gross domestic product, and can be contained only by making the tax system *less punitive and* the social security system less lax, according to a study by the Institute of Economic and Industrial Research, an Athens-based independent research organisation.

The study says that in the sample year 1984 actual Greek per capita GDP exceeded $3,800, against $2,980 recorded in official statistics. "The extent of the black economy detected constitutes an empirical confirmation of the common feeling that the average Greek enjoys a standard of living far higher than that justified by the measured per capita income," it comments.

The lowest levels of under-the-table economic activity, were registered in manufacturing, with 15.1 per cent, and the highest in housing, with 90.9 per cent. Commerce registered 28.8 per cent and services 64.9 per cent.

The study notes that the black economy and accompanying tax evasion significantly distort the distribution of post tax income, with "serious repercussions on incentive for work and the relative welface of citizens." It concludes that actual unemployment must be lower than the official estimates and actual inflation higher. In turn, the drachma may have been sustained at over-valued levels for a long period, with adverse effects on domestic production, exports and the balance of payments.

In conclusion the study calls for a radical reform of Greece's statistical services, and proposes "a serious re-examination" of both the social security and the tax system. With regard to the social security system, the study notes that it "encourages the development of a black economy through lax pension qualification requirements."



Confederation of unions issues 'shock report'

BY JIMMY BURNS IN LONDON

TO THE non-converted, international trade union diplomacy is not a subject that inspires confidence. To employers, and even many an ordinary employee it tends to conjure up an image of smoke-filled rooms, lengthy but empty rhetoric, and expense accounts.

And yet from its offices in Brussels, arguably the most vocal and expansive international trade union diplomat of them all – the International Confederation of Free Trade Unions (ICFTU) – seems as determined as ever to carve for itself a meaningful niche on the complex stage of world politics.

The ICFTU has recently released its annual survey on worldwide union rights violations. Officially described as a "shock report", the survey of 55 countries is intended to prick individual consciences and change government policies.

It is also an implicit reassertion of the confederation's guiding principle that the 85m unionised workers of the world it claims to represent through its affiliated organisations should unite not for the sake of revolution but in a common bond of humanity and commitment to democratic freedoms.

Like the other humanitarian group, Amnesty International, the ICFTU has in the past made as many enemies as friends. According to President Stroessner of Paraguay, the confederation is an "instrument of international communism". Quite the opposite view is taken by the Polish authorities for whom the confederation all too often smacks of CIA infiltration.

Officials at the ICFTU take comfort in such comments. They claim it re-enforces their non-partisan status and their insistence that "there be no limit to freedom of association".

The nearest the ICFTU comes to political self definition is describing its role as the defence of workers rights wherever and whenever they are being violated".

The ICFTU was the child of the Cold War. It was created in 1949 by a group of European trade unions, among them Britain's TUC. These organisations were then at the forefront of opposition to Stalin and his attempts to transform the international trade union organisation – the World Federation of Trade Unions – into an ambassador for Soviet interests.

The Prague-based World Federation claims a larger membership than its rival of 206m workers. But about 180m of these are of communist ideology and it remains administratively dominated by the Soviet Union.

By contrast the ICFTU has matured from its early virulent anti-communist days into a broader church more atuned to 'glasnost' and the diversity of problems confronting the work place. (In spite of persistent reports of CIA connections no hard evidence has ever been produced.)

Its more recent contributions have included one of the most detailed investigations ever carried out on the Bhopal chemical disaster in India, the energetic application of its funds to health centres in Africa, and help in the release of political prisoners in a number of countries ruled by authoritarian regimes, regardless of their political complexion.

In addition it brings out regular updates on its guidelines on trade union rights, focusing often on the new emerging workforce of women. It has a multinational and politically diverse secreteriat, headed currently by a Belgian and an apparently healthy budget *sustained* by fees from its affiliates, voluntary contributions, and access to public funds in Scandinavia and the Netherlands.

The ICFTU's detractors will certainly find it difficult to find faults with the generally well documented and politically balanced "shock report".

Its 21 pages casts an uncompromising eye on the most obvious as well as the least likely countries. That trade unionists have been tortured in South Africa and Guatemala is perhaps as predictable as the reports that officially approved trade unions in China and parts of Eastern Europe are mere arms of the ruling party.

What makes the survey particularly striking is the way that it extends its brief to encompass the fate of individuals in such little known countries as Tunisia, and the policies of such officially democratic Western governments as Britain's.

In Tunisia the survey reports on the plight of Mr Habib Achour, a local trade union official who has spent most of the last seven years alternating between a prison cell and a military hospital. The ICFTU notes the "good news" that, thanks to international pressure, Mr Achour was recently released from detention.

* *Annual Survey of Violations of Trade Union Rights 1986/7. International Confederation of Free Trade Unions. Rue Montagne aux Herbes Polageres 37-41 1000 Brussels.*

Plan for sharp fall in Rhine River pollution

BY LAURA RAUN IN AMSTERDAM

ENVIRONMENT ministers from the Rhine river states in West Germany will debate a proposal to cut river pollution in half by 1995 at a conference in October.

This would be the first concrete step towards cleaning up one of Europe's busiest waterways since the Sandoz chemical spillage last year.

Swiss, West German, French Luxembourg and the Netherlands together with European Community representatives yesterday concluded a two-day meeting in Maastricht to prepare for the ministerial conference in Strasbourg later in the year.

Mr Rudolof Pedroli of Switzerland, chairman of the IRC, conceded that wide differences still remained over exactly how to stop the dumping of toxic wastes – intentionally or accidentally – into the Rhine.

He strenuously denied that the IRC was behind schedule in preparing a plan for making the Rhine safe for salmon, swimming and drinking by the year 2000 – at a cost of billions of Deutsche Marks. But it is known that the environment ministers did not convene last May, as planned, because of delays in the preparation of the two-phase programme.

The civil servants agreed on two broad proposals as part of the programme. One is for each country to cut the level of some 28 noxious substances by 50 per cent over the next eight years – the first phase of the plan.

Optimism evaporates at troop cut negotiations

BY JUDY DEMPSEY IN VIENNA

THE Mutual and Balanced Force Reduction talks (MBFR) which have been taking place in Vienna for the past 13 years went into summer recess yesterday amid growing signs of pessimism among delegates about any foreseeable outcome to the deadlocked talks.

The head of the Dutch delegation and spokesman for the Western participants, Mr Jan Hein van de Mortel, described the Warsaw Pact's contribution to yesterday's plenary session as "polemical." The deputy head of the Czechoslovak delegation, Mr Josef Cestak, said: "Nato was not prepared to search for a solution."

The sharp exchanges were prompted by a plenary statement by the head of the US delegation, Mr Robert Blackwill, in which he gave a detailed comparative breakdown between the number of military personnel, aircraft and mechanised fire-power held by the Nato and Warsaw Pact forces in Central Europe. Mr Blackwill, citing figures, said the Warsaw Pact forces in Central Europe were superior to the Nato forces.

"The Warsaw Pact's proposal to freeze armaments in Central Europe at existing, asymmetrical numerical levels is obviously unacceptable," said Mr van de Mortel.

Mr Cestak accused the Nato countries of reviving the so-called "data problem" — a major issue which blocked progress in the talks for years. The West agreed to put it aside when it presented new proposals on December 5 1985. That proposal, besides making it no longer necessary to establish the numbers of troops each side has in Central Europe before reductions could begin, brought a whiff of optimism to the talks which had been blown away in yesterday's 456th session.

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Moscow names new head of air defence

By Patrick Cockburn in Moscow

THE SOVIET UNION has appointed as its new head of air defence General Ivan Treyak to replace Marshal Alexander Koldunov who was sacked in May together with the Defence Minister after a West German pilot landed his light aircraft in Red Square.

Gen Treyak, formerly chief of the Far East military theatre, takes command of the 630,000 men in air defence at a time when its competence is under strong public attack.

Mr Boris Yeltsin, the Communist party leader for Moscow and a non-voting member of the politburo, heavily criticised the competence and honesty of senior military officers in the Moscow military district at a recent meeting which was reported in the press.

The appointment of Gen Treyak was announced by the armed forces newspaper, Krasnaya Zvezda (Red Star) yesterday which identified him as giving a tough speech on air defence to a meeting of officials in Moscow.

Mr Mikhail Gorbachev appears to have used the successful landing in Red Square by Mr Mathias Rust, a 19-year-old amateur pilot from West Germany, to shake up the military hierarchy.

The ease with which Rust eluded Soviet interceptors and radar was an extra humiliation for Soviet air defence which in 1984 shot down a Korean airliner in Soviet airspace, with the loss of all on board.

Gen Treyak, a member of the Communist party central committee since 1976, is the second senior officer from the Far East to be promoted in the wake of the Rust affair.

COMMISSION MOVE COULD SIGNAL END OF TWO-YEAR DEADLOCK

Clouds lift on car pollution dispute

BY QUENTIN PEEL IN BRUSSELS

THE TWO-YEAR-OLD deadlock over European standards for reducing pollution from car exhausts, which has caused serious uncertainty for the EC motor industry could be resolved in the coming weeks.

The European Commission agreed this week to resubmit its proposals to the Council of Ministers under the new Single European Act—the first major item of EC legislation to do so.

It means that Denmark and Greece, the two countries blocking the exhaust emission standards on the grounds they are too lax, could be outvoted by the majority. They could then apply for exemptions to have higher national standards —provided the Commission does not decide they amount to hidden trade barriers.

However, there is also a possibility that the new rules could result in the standards being increased to the full US level, forcing all motor manufacturers to build catalytic converters into their cars.

The Act, reforming the Treaty of Rome, gives greater influence to the European Parliament, which has hitherto tended to back Denmark in its determination to obtain the highest possible environmental standards against the opposition of countries like Italy, France and Britain.

It is Denmark, now in the chair of the EC Council of Ministers for the next six months, which wants to bring the crucial environmental and industrial question of car exhausts back for a decision as soon as possible. The Danish Government is expected to summon an urgent meeting of the Council of Environment Ministers, possibly as soon as July 21, for a decision.

However the Act then provides for the proposal to be resubmitted to the European Parliament, which has previously voted in favour of the tougher US car exhaust standards.

If the Parliament sticks to its former position, then it is up to the Commission to decide whether to incorporate the amendment, and back the higher standards, knowing that a majority of the Council of Ministers will be opposed. The alternative would be to maintain the acceptable compromise which is backed most strongly by Britain, France and Italy.

Such an outcome would present an agonising dilemma for the Commission, likely to pit the two British members — Lord Cockfield and Mr Stanley Clinton Davis — against each other. Mr Clinton Davis is responsible for the environment, and keen to promote higher standards. Lord Cockfield is responsible for the internal market, and opposed to any decision which may raise new barriers to internal trade.

The new rules could result in the standards being increased to the full US level, forcing all motor manufacturers to build catalytic. converters into their cars.

The Commission is known to be keen, on a political level, to forge alliances with the European Parliament, to put greater pressure for progress on the member states in the Council of Ministers.

If the Commission does back the Parliament in opting for higher standards, the Council of Ministers then has to vote unanimously to change the package — or block it. Denmark's hope is that by then public opinion may have changed sufficiently for a clear majority to be in favour of the highest possible standards.

The whole question of car exhaust standards caused a serious split between the member states in 1985, when Denmark and West Germany fought long and hard to obtain the full US standards. The motor industries of France, Italy and the UK, all producers of smaller cars in which exhaust catalytic converters would be relatively much more expensive, finally succeeded in getting all but Denmark to accept lower levels, and a slower programme for introducing them for small cars.

The irony is that it is Denmark, the member state most opposed to the introduction of the Single European Act, for allowing more powers to the Parliament, which now proposes to exploit the Act in its own interests.

Whatever happens, the car exhaust saga seems certain to be a major test case: if the present package of standards does finally emerge, Denmark would seek an exemption on the grounds of higher environmental standards. Then motor manufacturers potentially excluded from the Danish car market could take the case to the European Court of Justice for a formal ruling on whether it is not simply a barrier to trade.

Trade mark office in UK unlikely

By Tim Dickson in Brussels

BRITAIN APPEARS to be losing out in its bid to "host" a new European Community Trade Mark office. Earlier this year the European Commission short-listed London, Madrid, the Hague and Munich as possible sites for what will be the first new Community institution for at least five years.

But with a formal recommendation likely to be made by the Brussels executive in the next couple of weeks, the indications are that the choice now lies between the Dutch and Spanish capitals.

The issue has been the subject of considerable lobbying not so much because of the economic significance of the project—only 200 or so new jobs would be created—but because of the political prestige which will be enjoyed by the ultimate winner.

London was an early favourite, but the other three contenders have offered free land and a free building; the plans for the St Katharine's Dock site do not offer these advantages. The UK was being tipped on the grounds that it does not yet host an EC institution.

The Trade Mark office issue was on the agenda of Wednesday's meeting of the Commission but it was not discussed due to pressure of time. Voting when the matter is finally raised — probably within the next fortnight — is expected to be along national lines with the "non-aligned" commissioners holding the key.

Whatever they decide, however, can always be overturned by the Council of Ministers. Moreover, it is also probable that Luxembourg will press what it considers its automatic right under a 1965 Treaty to host any new "quasi jurisdictional" institution.

Italian Parliament finds enough accord to pick its officers

BY JOHN WYLES IN ROME

ITALY'S TENTH legislature since the war formally opened yesterday with whiff of carnival in the air and sufficient agreement between the parties to enable the election of the Parliament's most senior officers.

Motley groups of demonstrators stationed themselves outside the Montecitorio — the Chamber of Deputies building —in the early afternoon, hoping to catch the attention of the 630 members who were due to take their seats following the June 14-15 general election.

They include 82 women, 20 more than in the last Parliament and one of the highest proportions in Western Europe. The substantial number of bystanders outside, however, were looking for only one: Ilona Staller, the 37-year-old pornostar whose election as a Radical party deputy has stirred much controversy, not least because of the topless immodesty of her campaigning. Both dress and behaviour yesterday were markedly less provocative than her professional activities.

Wearing a sober green outfit which exposed nothing to outrage a sensibility, she arrived accompanied by four fellow performers carrying placards proclaiming breathlessly sedate messages such as "Welcome to Parliament Cicciolina" — Cicciolina being the lady's professional name.

A mile away across town in the more august setting of the Senate, the 315 members got quickly down to the business of electing a new president, who will stand second in the Italian hierarchy to President Francesco Cossiga.

A late night agreement on Wednesday between the five parties whose coalition government fell apart last March, provided a Senate majority for Mr Giovanni Spadolini, the former Defence Minister and leader of the Republican party.

His election is another success for Mr Bettino Craxi, the Socialist party leader, who is increasingly orchestrating the post-election manoeuvring. The Senate presidency has traditionally been a Christian Democrat preserve and its capture by a lay politician could well be very important in the politically precarious months and years ahead.

More immediately, Mr Spadolini will be one of the first to be consulted by President Cossiga within a few days as the formal process begins of trying to assemble a new government. Mr Craxi will again seek to control this process, but at the moment no one knows what political formula he is aiming for beyond a coalition led by a Christian Democrat prime minister.

Commission to press for expansion policies

BY TIM DICKSON IN BRUSSELS

THE European Commission said yesterday that it would urge economics and finance ministers of the 12 to commit themselves to more expansionist budgetary policies at a meeting in Brussels on July 13.

Based on its latest research the Commission confirms the slowdown in growth which it had indicated in March and predicts that gross national product in the EC will not increase by more than 2 per cent this year or in 1988. Average unemployment in the Community remains stuck in the region of 12 per cent and does not look like coming down substantially.

Brussels officials admit that on their own individual member states have little room for manoeuvre to make the tax cuts and additional public sector investments which could contribute to the needed increase in real incomes. But they believe that the effect of concerted national budgetary action agreed at Community level could be significant.

The Commission picks out five countries — Denmark, West Germany, France, Luxembourg and Britain — where the public finances situation appears more favourable. It suggests that "if each one of these states could count on stronger growth from its partners" their individual balance of payments risks would be reduced, their own growth could be reinforced and the budget deficits of the other member states might be eased.

Turkey's EC request 'should depend on Cyprus progress'

BY ROBERT MAUTHNER, DIPLOMATIC CORRESPONDENT

THE European Community member states should freeze any further consideration of Turkey's application for full membership and reactivation of its Association Agreement with the EC until significant problem, the British Parliamensettlement of the Cyprus problem, the British Parliamentary Foreign Affairs Committee recommended yesterday.

The Committee's latest report on Cyprus, which was critical of all the parties directly or indirectly involved in the dispute including the UK, also called on Turkey to make an immediate and substantial reduction in its military forces stationed in Cyprus, "as an earnest of good will."

At Athe same time, the report called on the EC countries to halt any further moves towards the establishment of a customs union between the Community and the Republic of Cyprus until the latter had lifted obstacles to trade between the two parts of Cyprus and its embargo on third-party trade and communications with northern Cyprus.

The British Government, the committee urged, should adopt a higher profile in the search of a solution of the Cyprus problem than hitherto. Among other things, it should invite the Greek and Turkish governments to discuss, as the three guarantor powers, the current situation in Cyprus and ways of collectively assisting the two Cypriot communities in their search for an enduring settlement.

London should also review the British aid programme for Cyprus with a view to channelling aid to those most in need of it, including the Turkish community of Northrn Cyprus. Multilateral aid agencies should be encouraged by the UK to re-examine their policies towards the Turkish Cypriot community with a view to providing loans on an equal basis to the two communities.

While doing everything practicable to facilitate normal trade and other contacts between the Turkish Cypriot community and the Republic of Cyprus and with the outside world, Britain should nevertheless continue to withhold formal diplomatic recognition of the self-styled Turkish Republic of Northern Cyprus. This should be done both on principle and because recognition was likely to hinder the achievement of a united Cyprus.

Czech official stresses media's role in reform

BY LESLIE COLITT IN BERLIN

THE CZECHOSLOVAK Communist Party's chief ideologist, Mr Jan Fojtik, said the pace of "restructuring" Czechoslovakia's society would largely depend on the degree of involvement by the official media.

Addressing a congress of Czechoslovak journalists, he said the Soviet Communist Party provided inspiration for the Czechoslovak reforms. The main party newspaper, Rude Pravo, said the leadership of the journalists' union had been elected by "secret ballot."

Rude Pravo has taken the lead in criticising opposition to the New Economic Mechanism announced earlier this year. The newspaper noted that although the reforms are in the teething stage there is "no shortage of people" who are against them and who "leer" at preparations for re-structuring. Officials in ministries, it said, were worried about a reduction in their role while company directors shied away from assuming added responsibility.

A prominent hard-line member of the Czechoslovak leadership, Mr Vasil Bilak, said recently that economic reforms were "inevitable" if the country was to make quicker progress. The West's accusation that Czechoslovakia was afraid of reform was untrue. He noted, however, the party was against "false reforms" which weakened its unity and friendship with the Soviet Union.

Mr Bilak earlier this year repeatedly warned that domestic opponents of the party were in favour of the reforms launched by the Soviet leader, Mr Mikhail Gorbachev. They were the same people, he said, who were responsible for the political liberalisation in 1968 which was brought to an end by the Soviet occupation of Czechoslovakia.

Ceausescu tightens grip on Romanian economy

BY OUR BERLIN CORRESPONDENT

ROMANIA'S PRESIDENT, Mr Nicolae Ceausescu, has tightened his personal control of the hard pressed economy while down-grading the authority of the state planning committee.

The Romanian leader announced that the Supreme Council of Economic and Social Development, of which he is chairman, will be placed in "supreme command" of the economy. Its role is to be "enhanced" in drafting long-range programmes and the annual and five-year plans. The planning committee, he said, would function as the secretariat of the Supreme Council.

President Ceausescu's son, Nicu, who heads the Communist youth organisation, was appointed to the standing bureau of the Supreme Council, along with the heads of the official trade unions and the workers and financial control bodies.

According to the Romanian news agency, Mr Ceausescu said in a recent speech that "all in all" the plan had been "positively implemented" in the first six months, although a number of branches were in arrears. He gave no figures but noted only that measures were "envisaged" for the next six months to fulfil the plan. In recent speeches, Mr Ceausescu complained about the poor performance of Romanian exports, which fell 11 per cent last year. The hard currency trade surplus dropped to \$2bn from \$2.5bn in 1985 and \$3.1bn in 1984.

OVERSEAS NEWS

Labour unrest threatens recovery, Aquino warned

BY RICHARD GOURLAY IN MANILA

LEADING FOREIGN and local businessmen in the Philippines yesterday warned President Corazon Aquino that strikes and industrial unrest could derail the economic recovery unless the government intervenes decisively.

The warning came in a letter to Mrs Aquino signed by 12 business associations including the Japanese, American, European and Philippine chambers of commerce. "Industrial unrest is being fomented by certain unions to perpetuate a state of strife and instability rather than for the promotion of their members true interests," the letter said.

The chambers referred specifically to 20 Filipino and foreign companies, including Coca Cola Export Corporation, Ciba-Geigy and Nestle Philippines, which are concentrated close to Manila and are "beset with labour unrest."

However, American chamber president, Mr George Drysdale, said the letter had been sent to Mrs Aquino because the problem was not isolated. He said everyone accepted there was communist infiltration of labour unions. He said the letter was a warning, but that she was heading in the right direction with her labour policy.

The concern comes at a time when the economy is recovering strongly on the back of consumer spending. The government says the economy grew by 5.5 per cent in the first quarter this year after a decline of nearly 15 per cent in per capita terms in the previous three years. But there are still only limited signs of the new investment either local or foreign, that many economists and bankers say will be necessary to make the recovery sustainable.

On Tuesday visiting Taiwanese bankers, who were otherwise positive about the Philippines' prospects, told Mrs Aquino they were waiting for industrial peace. And earlier this year a survey of 400 potential Japanese investors overseas taken by the Keisai Doyukai, *one of Japan's three employers'* federations, showed companies were more concerned about labour unrest in the Philippines than in any other Asean countries which are also competing for new foreign investments.

The business associations said in their letter that return to work orders issued by the Department of Labour were ignored and illegal strikes continued with impunity. "Our government authorities appear unable to enforce the laws of the land," the letter said.

The Labour Department was not available for comment.

Corazon Aquino: faces demand for action.

Land reform proposal under attack

PHILIPPINE vice-president Salvador Laurel has called President Corazon Aquino's land reform plan a "shotgun solution" that could tear the nation apart, Reuter reports.

Mr Laurel said redistributing land, a main plank of Mrs Aquino's anti-communist strategy, should be left to the Congress, which sits later this month. Mrs Aquino should provide only the policy to guide the legislators.

Mrs Aquino has pledged to sign into law a land reform scheme before the new Congress sits on July 27 and she loses her power of decree.

Mr Laurel said the draft law was too arbitrary, and those who would be forced to sell their lands would become "the new poor" because they would not be guaranteed prompt or even eventual full payment.

Rejecting the argument that land reform is needed to end the 18-year-old communist rebellion, Mr Laurel, a landowner, said: "So, why apply a shotgun solution that will hit all landowners everywhere in the country, whether oppressive or not, all because they own more than seven hectares?"

Landowners in some areas have set up private armies, vowing to fight the government if it pushes ahead with the programme, for which it has yet to find funds.

Death stalks the military on mean streets of Manila

Richard Gourlay reports on urban violence in a city where guns are part of the culture

A POLICE major was shot dead on the outskirts of Manila this week, bringing the number of soldiers, police and informers killed this year to over 50. A military spokesman immediately blamed the Communist-led New People's Army guerrillas, even though the major was killed by 10 armed men, a much larger group than is normally used by guerrilla assassination squads.

The Armed City Partisans branch of the NPA has claimed responsibility for 22 of the killings in Manila this year. They are commonly blamed by newspapers and the military alike for many more.

However, the killings must be seen in the light of some astonishing "ordinary" crime figures. Whereas there are around three murders a day in the UK, the Philippines clocks up nearly 60 homicides a day. That is just the recorded deaths.

Many people suspect it has something to do with the number of guns in circulation, although no one really knows. Signs outside public buildings request one to "Please leave your arms at the door." Philippine Airlines pilots return to passengers bundles of high-powered rifles and handguns deposited before the flight after arriving at Jolo Airport in the Moslem south. The Philippines is thought to have the highest ratio of guns per head anywhere in the region, but again no one knows because there is no effective system of licensing.

"The only people short of guns are the military and the NPA," said one Western diplomat. So far, over 18 years of guerrilla war and the build-up of private armies and armouries, foreigners have remained almost totally unscathed. Their businesses have also been largely spared. They are either not targeted or have reached an informal *modus vivendi* with the rebels that sometimes involves paying "revolutionary taxes."

However, the new trend of allegedly political assassinations, usually of low-ranking military and police officers, is being taken seriously by General Fidel Ramos, armed forces chief of staff. During the years of deposed President Ferdinand Marcos which ended in February 1986, the so-called Communist led "sparrow" assassination squads operated mostly in Davao City in the south.

On Monday, General Ramos called for new "legal weapons" to fight the urban Communist threat posed by the rise in guerrilla attacks. Among the measures he called for was the right to hold suspects for longer than the 18-hour limit in place now. He referred to times when such powers were available during the Hukbalahap insurgency in the 1950s and during Marcos's martial law years in the 1970s.

The Armed City Partisan urban guerrillas claim the police, military officers and informers had committed crimes against the people and that they were administering "revolutionary justice." Given the number of weapons in circulation, military officers suspect that some incidents blamed on the NPA guerrillas are simply cases of banditry.

Observers say that part of the gun culture stems from a male machismo that is amply reflected by the Rambo figures prevalent in most Filipino films. The low level of convictions due to corrupt public prosecutors and a low standard of police investigation probably have as much to do with the level of violence.

Seoul opens inquiry into Kwangju uprising

By Maggie Ford in Seoul

THE SOUTH KOREAN ruling party acted swiftly to keep up the momentum of change yesterday with two gestures designed to show that its motives were sincere.

Party officials revealed that they were to open an inquiry into the 1980 Kwangju uprising, in which at least 200 people were killed. The bitterness over the uprising must be resolved if South Korea is to achieve full democracy, observers believe.

At the same time, Mr Roh Tae Woo, leader of the Democratic Justice Party, whose far-reaching proposals for democracy were accepted by President Chun Doo Hwan on Wednesday, paid a surprise visit to Mr Kim Young Sam, one of the country's two opposition leaders.

Moving with unexpected speed, the DJP said yesterday that a committee had been set up to look into ways of "healing the scars" left by the killings carried out by troops who put down the rebellion in the early days of President Chun's government.

The committee would consider paying compensation to the families of victims of the military action, the restoration of civil rights for those jailed or restricted since then, recognition of the struggle of Kwangju people for freedom, and possibly even a public apology from the Government.

Resentment over the brutal treatment by the military runs deep in Kwangju, a city of 1m people, the home base of Mr Kim Dae Jung, South Korea's other leading opposition politician. Mr Kim was jailed just before the uprising, but later charged with sedition for organising it. He was sentenced to death and only escaped execution because of US intervention.

Mr Kim has still not had his civil rights restored, and observers believe that that fear in the South Korean military of facing revenge over Kwangju remains strong.

Mr Roh's courtesy call to Mr Kim Young Sam coincided with other evidence of a change in the authorities' attitude. Mr Kim's Reunification Democratic Party has at last been able to find a suitable office, after three months of being turned away by landlords who had been warned.

Moscow 'offered to hold' Gulf war peace talks

MR YITZHAK Rabin, the Israeli Defence Minister, said yesterday that the Soviet Union has offered to hold a peace conference in Moscow to end the war between Iran and Iraq, AP reports from Washingthon. Mr Rabin disclosed the Soviet diplomatic initiative at a news conference winding up a three-day visit to Washingthon. "The only outside power that has the capability to end the war is the Soviet Union," he said. "They have the capability to talk to both sides."

The Israeli official said the proposal was made to Iranian authorities in Teheran earlier this month by Soviet Deputy Foreign Minister, Mr Yuli Vorontsov, who "received red-carpet treatment."

He also visited Iraq, which buys many of its weapons from the Soviets.

Mr Rabin said Iraq realizes it cannot win the nearly 7-year-old war, but "the Iranians refused. Their demand is the head of Saddam Hussein,"(the Iraqi president), he said.

The US is working for a settlement through the U.N. Security Council. It is promoting a cease-fire and a worldwide arms embargo on whichever side refused to honor the truce.

The Soviets are believed prepared to support the cease-fire, but their position on a weapons boycott is not clear.

Rabin said the war had caused "disarray" in Soviet foreign policy by drawing Israel and Egypt closer together and isolating Syria, a Soviet ally, in the Arab world as the sole supporter of Iran.

As for Israel, the defence minister said: "We are interested in one thing – that there be a no-win situation. Both countries are bitter enemies of Israel."

But historically, Mr Rabin said, Iran was "one of the friendliest countries" to Israel during its 39-year existence. During the 1973 energy crisis, he said, Iran did not stop its oil deliveries for a single day.

"Today it's a hostile, crazy regime," Mr Rabin said. "But since we intend to be in the region for the next 1,000 years," he said Israel hoped for good relations with Iran, Turkey, Egypt and others.

End to trial that split Israel

BY ANDREW WHITLEY IN JERUSALEM

A CELEBRATED legal battle in Israel ended yesterday with the Supreme Court's decision to allow the extradition of a French Jew convicted of murdering an Arab nightclub owner in the French town of Besançon.

The case of Mr William Nakash, who fled to Israel after the 1983 killing and claimed citizenship under the "Law of Return," became a *cause célèbre* which has polarized Israeli society into passionately divided camps.

Backing Mr Nakash's fight to stay in Israel on the grounds that anti-Semitism in France endangered his life was Mr Avraham Sharir, the Justice Minister. When the High Court first ruled that he *should be sent back, the right-wing* minister intervened to reverse the decision.

On the other side of the picket line, enraged parliamentarians and legal associations fought against what they regarded as a transparent abuse of justice comparable to the case of Mr Meir Lansky, the notorious Chicago gangster who a generation ago also attempted to seek refuge in Israel.

Added spice to the case came from the fact that Mr Nakash, who defends the murder as retaliation *for anti-Jewish acts by local Arabs* in Besançon, has gone religious.

In her appeal to the Supreme Court against the extradition order, his pregnant wife Rina said that if her husband were sent back she would be unable to obtain a religious divorce and therefore could not remarry.

Soares names Macao governor

BY DIANA SMITH IN LISBON

THE PORTUGUESE president, Mr Mario Soares, has appointed Mr Carlos Melancia, a businessman who has served in several Socialist governments, as governor of the tiny Portuguese-administered territory of Macao.

Mr Melancia, considered to be a discreet administrator, is a personal friend of the president and is expectd to negotiate carefully with the powerful vested interests of Chinese Macanese, who dominate the tourism and gambling interests of the territory.

Being able to get on with these groups is considered a prime factor in the success of any Portuguese administrator of a territory which has been run by Portugal for the last 430 years.

The previous governor, Mr Pinto Machado, was also close to Mr Soares, and chosen largely because it was hoped that he could not only rise above the powerful political currents that often clash in Macao but also accelerate long-delayed development of the territory.

However, expectations were not fulfilled. He was deemed not to spend enough time in Macao to come to grips with the complexities of the place, and resigned a couple of months ago.

His number two, the powerful Mr Carlos Monjardino, has been campaigning assiduously to become governor. Lisbon, however, felt that his appointment would be conceding too much to local pressures in Macao, where Mr Monjardino created a very strong position for himself.

The new governor will be the first Portuguese administrator not to renegotiate a deal with the gambling groups, whose revenue supplies more than half Macao's anual budget. Macao is due to be handed over to the Chinese in 1999, and the present gambling agreement is expected to stand until then.

AMERICAN NEWS

Democratic candidates face the firing line

BY STEWART FLEMING, US EDITOR, IN WASHINGTON

FOR TWO hours on Wednesday Mr William F. Buckley, one of the intellectual high priests of the "new right" in the US, had all seven of the Democratic candidates for presidential nomination in his sights on his public television interview show Firing Line.

The first question, to Mr Richard Gephardt, the flaxen-haired member of the House of Representatives from Missouri, was precisely the sort of barbed remark for which the erudite and sardonic Mr Buckley is famed.

"Mr Gephardt, commenting recently on how things are in America, you said: 'It's not morning in America, it's twilight; it may even be midnight and it's getting darker all the time.' My question is," Mr Buckley went on as the audience snickered in the back ground at the mock-serious tone of the interrogator: "How can it get darker than midnight?"

"In the Reagan Administration it can," shot back Mr Gephardt, and an evening of "Reagan bashing" was off to a quick start.

The main objective for the seven candidates on Wednesday was to try to cast off a pall of anonymity and the "Seven Dwarfs" tag which has haunted them since Mr Gary Hart's campaign collapsed. Each decided he would do this at Mr Reagan's expense.

Only a few well-defined differences of position emerged. Governor Michael Dukakis of Massachusetts, for example, who succeeded in living up to his reputation as a shrewd politician, made it clear that he would have no truck with trade protectionists such as Rep Gephardt in his party.

"I am worried about retaliation," he said, adding that even if the US succeeded in removing every foreign barrier to its exports, the trade deficit would only come down to around $120bn. The answer to the trade problem, said the man whose state has cast off industrial decline and is enjoying a high-tech boom, is to invest in technology and get the budget deficit down.

There was some disagreement too about whether or not an oil import fee—or tax as Mr Dukakis labelled it bluntly—was a good idea, although there was unanimity when it came to passing judgment on President Reagan's failure to address the economic and national security implications of rising dependence on foreign oil.

The candidates treated each other with exaggerated respect, but it was clear that they believed President Reagan's capacity to intimidate his political foes to be a thing of the past.

"What Ronald Reagan needs is guts," remarked Rep Gephardt about the President's failure to lead on economic policy. "A trillion dollar misadventure," is how Rev Jesse Jackson labelled the President's so-called Star Wars strategic defence initiative. "We need star schools not Star Wars," said Governor Dukakis. "Gasoline on the arms race," commented former Arizona Governor Mr Bruce Babbitt, whose fidgeting presented a hard-pressed television cameraman with a task almost as difficult as tracking a missile launch from Cape Canaveral.

For Senator Al Gore, the burly 39-year-old moderate *Democrat from Tennessee who* is hoping the South will rise up around his candidacy, "the most serious problem (the Administration) has brought to America is a crisis of integrity, the betrayal of public trust, the shredding of public documents, the dishonesty of public officials."

When Mr Reagan's advisers opened their Washington Post yesterday morning they will not have missed the fact that some of the Democrat's charges are judged, according to the latest Washington Post-ABC news poll, to be right on target.

Public confidence in the President's ability to control the budget deficit has deteriorated. This is a far from reassuring development for a White House which, in its search for a programme for the President to campaign on as he struggles to revive his political strength, has had the President touring the country talking about budget reform and his "economic bill of rights."

But the Democratic contenders for Mr Reagan's role in the White House cannot have drawn much reassurance from the debate either. There was little which would lead Alabama's 40-year-old Governor Bill Clinton, who is expected to announce soon his candidacy for the Democratic Party's nomination, to decide the competition is too hot, provided he is confident he can raise the millions of dollars he will need as stake money.

The Post also reported that some of the candidates are finding willing contributors to their campaigns. Gov Dukakis has raised $4.2m in the first three months of campaigning, Senator Biden is at the $3m mark, and Senator Gore, who only formally entered the race this week has a fund of $2.4m, about the same as Rep Gephardt has to hand, the Post reported. Former Governor Babbitt is reportedly in debt and borrowing against the matching federal funds he can expect in January.

Michael Dukakis: Richard Gephardt: Jasse Jackson:

Senate and House agree new banking bill

By William Hall in New York

THE PROSPECT of the US passing its first major banking legislation package in more than five years has increased following the agreement of members of the banking committees of the US House of Representatives and the Senate on a new banking bill.

...The main elements of the proposed legislation are a $8.5bn plan to recapitalise the Federal Savings and Loan Insurance Corporation (FSLIC), a ban on hybrid financial institutions known as "non-bank banks," and a nine-month moratorium on commercial bank expansion into the US securities industry.

The result of weeks of behind-the-scenes negotiations, the proposed legislation is regarded as a victory for Wall Street investment banks.

They have been lobbying hard, together with the savings and loan industry, to prevent US bank regulators from granting US banks new powers to expand into the securties business.

The savings and loan industry has strougly opposed official efforts to force the industry to provide upwards of $15bn to recapitalise FSLIC, which is technically insolvent.

However, the latest proposals are likely to run into opposition from the Reagan Administration and the US commercial banking industry, and observers are sceptical about the chances of the passage of the latest legislation.

The US Administration is in particular concerned about the health of the US savings bank industry and has argued strongly for a much bigger recapitalisation of FSLIC.

There have been estimates that between $25bn and $30bn may be needed to solve the problems of the troubled thrift institutions and the Administration has argued that injecting $8.5bn into FSLIC will not be sufficient to restore confidence in the troubled insurance fund.

US Government to receive less than $100m from Boesky

BY JAMES BUCHAN IN NEW YORK

THE US Government expects to reap considerably less than the $100m it hoped in fines and penalties from the disgraced takeover speculator Mr Ivan Boesky because of a misjudgment of the value of his holdings in a little-known UK investment trust.

According to testimony made public this week, the US Government has received offers amounting to only about $37m for Mr Boesky's stock in his UK investment vehicle, Cambrian & General, a trust which invests in the shares of other companies.

The Boesky block had been valued at over $50m when Mr Boesky handed over cash and securities to a value of $100m to settle charges of insider trading with the US Securities and Exchange Commission in *November*.

The apparent fall in value despite raging bull markets in both the US and UK are an added embarrassment to the SEC, which ran into grumbling in November for permitting Mr Boesky to sell off a number of stocks before the announcement of the dramatic settlement.

The announcement, on November 14, caused many stocks with takeover interest to fall sharply, causing other investors large losses.

Mr Douglas Rosenthal, the agent handling the Boesky cash and securities for the government, said in a court hearing last month that buyers had offered only $37m for Mr Boesky's 14.1m shares in Cambrian & General, which is listed on the London Stock Exchange.

Mr Rosenthal said his financial advisers said the offer was "a excellent offer."

Cambrian & General was trading yesterday at 132 pence a share, almost unchanged from the 130 pence a share which obtained on November 14. However, financial experts with knowledge of the fund say that the November 14 valuation of over $50m was for the net asset value of the Boesky block. This value can only be realised by liquidating the trust and selling off the shares it held.

Operating trusts usually *trade at a discount of about* 25 per cent to the value of the shares they own. The SEC had hoped to liquidate Cambrian & General but Mr Rosenthal said this was not possible because of the trust's possible contingent liability in civil lawsuits against Mr Boesky.

In addition, Cambrian & General has apparently written off the full value of a cross-holding, apparently worth $20m before November 14, in Mr Boesky's US investment vehicle, a limited partnership.

US civilian jobless rate lowest in seven years

THE US civilian unemployment rate fell to 6.1 per cent in June from 6.3 per cent a month earlier, the Labour Department said yesterday, Reuter reports from Washington.

The June rate, which compares with 7.1 per cent the same time last year, was lower than many financial analysts expected and is the lowest in more than seven years. In December 1979 it was 6.0 per cent.

The number of jobs in the manufacturing sector was unchanged, however, the department said. Service-producing jobs rose by 102,000 in June, while goods-producing payrolls increased by 14,000 to bring the total jobs in the department's survey of businesses to 101.8m.

The survey of households showed the number of unemployed fell 286,000 in June to 7.26m. After a large increase in May, the civilian workforce dropped 476,000 to 119.52m in June.

Many financial analysts said they had expected the number of non-farm jobs to increase by 200,000 in June. The Labour Department said the rise in non-farm jobs in May was less than had been previously estimated. It said the increase was 74,000 instead of 123,000 jobs previously reported.

The length of the manufacturing work week remained at 41.0 hours, the same as in May, while the total average work week slipped 0.1 hours last month to 34.8 hours.

US warns Panama on violence

THE US has accused Panama of involvement in a violent demonstration against the US Embassy and warned it that such actions could harm US-Panama relations, Reuter reports from Washington.

State Department spokesman Charles Redman said yesterday: "The US is protesting in the strongest terms to the government of Panama its unmistakeable involvement in demonstrations . . . which have resulted in sigfinicant damage to US diplomatic property and which put US diplomatic personnel at risk."

He said the US consular section and the US Information Service library would be closed "until the government of Panama offers guarantees of appropriate protection."

Reports from Panama City on Tuesday said government allies attacked US diplomatic buildings with stones and bottles of red paint in apparent retaliation for a resolution passed by a vote of 84-2 last Friday by the US Senate.

The measure urged Panama to restore democracy and called for the ousting of military strongman General Manuel Antonio Noriega while authorities investigate charges of corruption, vote rigging and political assassination against him.

Mr Redman said that while Panamanian security forces have protected the embassy in the past, "police protection was withdrawn a short time before the crowds reached the embassy.

"It is clear, therefore, that a decision as made at the highest levels of the security forces not to protect the embassy," he said.

"Actions of this kind will have a significant and negative impact on relations between the US and Panama."

Assistant Secretary of State Mr Elliott Abrams, in a speech to the World Affairs Council of Washington on Tuesday, welcomed the Panamanian government's decision to lift a state of emergency that was imposed three weeks ago in an effort to defuse political protests over the charges concerning Noriega.

But Mr Redman said it appeared the government lifted the state of emergency "not for the purpose of restoring civil liberties to Panamanian citizens, but primarily in order to orchestrate a demonstration against the US embassy."

Haiti government rethinks change to electoral system

BY CANUTE JAMES

HAITI'S INTERIM government has promised to reconsider changes it made last week to the country's electoral system following two days of street protests that killed at least 10 people.

It was also warned by the US that Washington would cut off aid unless it was convinced of the Haiti government's willingness to have free and fair elections.

Lieutenant General Henri Namphy, head of the military dominated government, said he would modify a decree which stripped an independent electoral commission of most of its powers. He did not say what changes he planned.

Several Haitians were shot by soldiers who tried to clear road-blocks after several buildings were set alight and vehicles overturned.

The violence came during a general strike called by 70 religious, political and trade union organisations, amid charges that the government, which is to hand over to an elected administration in February, wanted to manipulate presidential and parliamentary elections planned for November.

General Namphy took over the country following the overthrow in February last year of President Jean-Claude Duvalier.

Ian Rodger and Peter Bruce report from Tokyo on the impact of US retaliation against violations of Cocom regulations

Rising American anger 'will hit Toshiba sales'

THE FUTURE of Toshiba, Japan's second largest electrical group, is looking increasingly bleak as a result of US anger over the illegal exports of machine tools to the Soviet Union by one of its subsidiaries. "Everything is over for this company," one analyst said gloomily yesterday.

Tokyo analysts expect that there will be a massive and debilitating US boycott of Toshiba products even if a bill passed by the US Senate this week banning sales of the company's products does not become law.

The company has already begun to suffer. On Tuesday, a few US Congressmen held a ceremony on the White House lawn to smash Toshiba products with sledgehammers. Company officials have told the Japanese Government that its salesmen in the US are suffering from harassment.

Toshiba has, without success, tried to claim that the subsidiary in question, Toshiba Machine, was managed independently.

Meanwhile, Motorola, the US semiconductor producer, has indicated it has become uncomfortable with the joint venture it set up with Toshiba last year to co-operate in the design and manufacture of chips, and the US Government has suggested that Toshiba may be excluded from Strategic Defence Initiative projects.

The Japanese Government, angered by the breach of security involved in the machine tool sales, is unlikely to help. "We do not intend to protect Toshiba from Congressional action," Mr Yukio Okamoto, director of the foreign ministry's national security division, said yesterday.

Toshiba sells about $2.39bn worth of goods a year to the US. While only about a tenth of the total, these sales are heavily concentrated in high technology and consumer products on which the company makes high margins. Tokyo analysts yesterday suggested that the loss of its US sales this year would plunge the company into a pre-tax loss of about Y5bn ($34m), compared with a profit of Y78m in the year to March 31, 1987.

More important, the loss of US sales of its semiconductors and business and consumer electronic products would badly wound the company, analysts say. Each of these sectors is highly competitive, and other companies would rush to snap up Toshiba's business. Toshiba would be hard pressed to maintain its cost competitiveness without access to the US.

Surprisingly, the Toshiba share price has held up remarkably well so far. From a peak of Y808 early this year, it has slid to Y700 early this week, and closed yesterday in Tokyo down only Y15 to Y685. Shares of Tokyo Electric, a Toshiba subsidiary with important US markets, have also held up.

One possible explanation is that Japanese investors have not yet fully realised the gravity of the company's plight in the US. The general view in Japan is that Toshiba has already been severely punished for its subsidiary's offences, and that US demands for further action are unreasonable.

Until the recent debacle, Toshiba had been highly popular with electronics analysts. In the past 10 years, it has been transformed from a rather dull heavy electricals group that made turbine generators and transformers into a fast-growing company with significant stakes in glamorous new businesses, such as semiconductors, business equipment and consumer electronics.

The group has stepped up its research and development spending, and is in the forefront of the development of superconductive materials.

Toshiba claims to be the fourth largest producer of semiconductors in the world, and leads in the rapidly emerging market for one megabit random access memory chips.

In the past year, the company scored a major success with the development of a high capacity laptop computer. The computer has been especially popular in the US, and the US Defence Department had ordered $100m worth of them. That order was suspended as a result of the Toshiba Machine case.

Shoichi Saba, who resigned as chairman of Toshiba, listens to a debate yesterday calling for tighter curbs on exports to the Communist bloc.

Miti officials knew of machine tool sale

JAPAN's Ministry of International Trade and Industry (Miti) has admitted that it was first informed a year and a half ago about the illegal sales of machine tools to the Soviet Union by Toshiba Machine.

However, Miti claims it should bear no blame for the fact that the truth was not discovered until April this year, by which time the statute of limitations prevented some criminal charges from being laid.

A Miti official said yesterday that the first tip about the sales was received in December 1985 following a report by a former employee of a Japanese trading company involved in the deals to the Co-ordinating Committee for Export Control (Cocom) in Paris. Cocom is an informal organisation of the Western allied governments aimed at preventing the transfer of sensitive technologies to the East bloc countries.

Miti made inquiries at Toshiba Machine, but to no avail. "We asked and we asked, but they did not tell the truth," Mr Atsushi Iwai, director of Miti's strategic export control office said yesterday.

Mr Iwai said Toshiba officials told Miti that the machine tools were to be used for making power plant equipment in the Soviet Union. The truth finally emerged this spring when, after further tips from the US, Miti sent the police to investigate.

Mr Iwai said Miti could not be blamed for the long delay in unearthing the truth. "The incident occurred because of a false statement by the company," he said.

The Government had to deal with 200,000 applications for export licences every year, of which 4,000 to 5,000 were Cocom cases. Until now, it has trusted industry to be honest in the documents it submitted, "especially big companies like Toshiba Machine."

Mr Iwai has been director of the strategic export control office since mid-May, shortly after the Toshiba Machine case became public knowledge. He would not comment on the fate of his predecessor.

Miti announced on Wednesday that it was increasing its staff occupied in checking applications for Cocom export permits from 10 to 15 pending completion of a more comprehensive review of its screening system.

Caribbean export bank attracts slim support

By Canute James in St Lucia

A Caribbean export bank to provide financing for trade in the region is to be launched in January, although the Caribbean Economic Community has failed to attract international backing for the venture.

The bank will provide pre-shipment and post-shipment financing for trade between community members, and between the community and third countries. Its creation has been approved by the heads of government of the 13-nation community at their annual meeting here this week.

It was planned by the community that the bank would begin its operations with equity of about $70m. It will, however, begin with $16.5m, contributed by community governments and the Caribbean development bank.

Officials of several Caribbean governments said that the economic community had approached international financial institutions and the European community for funds to support the bank.

"Several prospective contributors apparently felt it would be safer if they could see the new institution in operation before they committed themselves," explained one delegate.

The community is still expecting that the trade bank's resources will eventually be increased to the $70m target. The bank will concentrate on finance for non-traditional manufactured and agro-industrial products.

The bank will fill a need for a sources of financing for trade in the community following the collapse four years ago of a multi-lateral trade payments facility after its $100m credit ceiling was exceeded, with Guyana unable to repay $96m.

The absence of an institution to finance trade in the community since the clearing facility's collapse is regarded by the community as one reason for the decline in trade within the group. Official figures show the value of trade in the Caribbean community falling last year by 33 per cent below the 1985 figure to about $290m.

Carlsberg switches its Canadian beer partner

BY HILARY BARNES IN COPENHAGEN

CARLSBERG brewery has switched its partner in Canada, where its beer will in future be brewed on licence and distributed by Labatt, which is Canada's biggest brewing group.

Until now Carlsberg beer has been brewed by Carling O'Keefe.

The switch was caused by the acquisition of O'Keefe by Elders, the Australian brewery group. As Elders is seeking to promote its own beers in the international market this has led to a conflict of interest with Carlsberg in the longer run, said Mr Michael Iuul, of Carlsberg International.

Carlsberg, together with Tuborg brewery, are the two halves of United Breweries, which sells considerably more beer abroad than it does in Denmark.

Carlsberg also announced that it has reached agreement with Jardine Matheson to distribute Carlsberg, brewed at Carlsberg's brewery in Hong Kong, in Taiwan which has recently opened its market to imports.

Danbrew, a United Breweries' consultancy subsidiary, announced the inauguration on June 28 of Guangzhou Brewery in China. This is the first Chinese-Western European co-operation.

Danbrew provided the basic design for the buildings and the design and delivery of all plant and equipment for the brewery, which has capacity to produce 110,000 tonnes of beer and soft drinks a year.

Austrian banks to fund exports to China

A CONSORTIUM of Austrian banks has signed a Sch 6bn (£290m) frame credit agreement with the Bank of China to finance exports of Austrian capital goods to China, Reuter reports from Vienna.

The Consortium leader, Creditanstalt-Bankverein, said the full value of goods could be financed at 4.5 per cent interest.

Mr Johannes Dietz, the Austrian deputy Finance Minister, said the deal was part of a government-to-government agreement signed in Peking last Monday.

Mr Dietz said the Peking agreement changed the terms of a previous accord carrying interest of 6 per cent signed in 1985, which was little used.

Repayment had been extended to 20 years from 15.

Moscow signs credits under UK trade deal

BY PETER MONTAGNON, WORLD TRADE EDITOR

THE Soviet Union has signed its first credits to come under the trade finance protocol signed in January by its Foreign Trade Ministry and Britain's Export Credits Guarantee Department.

Morgan Grenfell announced yesterday that it had completed arrangements for a $100.5m buyer credit to help finance the construction by John Brown of a polypropylene plant at Budyennovsk.

The UK merchant bank said it is also leading credits of £18.7m and $11.5m respectively to support the refurbishment by Courtaulds of an acrylic fibre plant at Saratov and the sale by GEC-General Signal of a train information system for the Moscow-Kalinin railway line.

Separately it announced the establishment together with Moscow Narodny Bank and Bank of Scotland of a working group to promote joint ventures between Western and Soviet companies. The group which has been joined by the Soviet State Bank and Bank for Foreign Trade is the first to be established by UK banks.

The John Brown deal carries a maturity of eight and a half years and a fixed interest rate of 7.5 per cent. Repayments begin after a grace period of three years.

A striking feature of the deals is that contrary to the normal Soviet practice of seeking to finance imports from the UK in sterling, none is denominated in British currency.

The Courtaulds credit will be made available in ecus and is the first ECGD-backed buyer credit in this currency, Morgan Grenfell said.

Many bankers and industrialists had feared that the protocol would not lead to much increase in Anglo-Soviet trade because of the difficulty in arranging sterling finance at the low interest rates the Soviets require and the choice of currencies appears to indicate flexibility on the Soviet part.

Other deals under the protocol are in the pipeline although one major opportunity, a $600m polyester plant contract for which Davy McKee and West Germany's Uhde had been bidding, went to a Japanese consortium led by Nissho Iwai which offered a lower price.

The total value of the John Brown contract is $146m and further finance is being arranged through the Japanese Eximbank.

Morgan Grenfell's joint venture working group follows an example already set by banks in France, Germany and Italy.

It is intended to provide advice for companies of any nationality wishing to establish a joint venture in the Soviet Union. Sir Peter Carey, Morgan Grenfell chairman, said companies in tourism, petrochemicals and the automotive sector were among those which might benefit.

The group will "study and make recommendations on some of the financial issues arising out of this new legislation such as Western approaches to investment evaluation and the application of novel Western financing techniques," he said.

Coal jobs in balance over flexible working

BY CHARLES LEADBEATER AND MAURICE SAMUELSON

BRITISH COAL yesterday revealed plans to introduce controversial flexible shift patterns at 13 pits in almost every part of the British coalfields.

About 9,000 jobs depend on mining unions agreeing to the introduction of either six-day production or longer production shifts at the pits, the corporation said.

The plans were revealed as it emerged that the corporation is seeking almost 2,000 job losses in the Yorkshire and North Derbyshire coalfields as it steps up its efforts to break-even in two years' time by cutting loss-making capacity.

The revelation that almost every area of the National Union of Mineworkers (NUM) could soon become involved in negotiations in which flexible shifts could be traded for jobs, will intensify debate within the union

British Coal's insistence that it needs agreement to six-day production before it can develop a £90m drift mine at Margam, South Wales, has already created a deep rift between the South Wales area of the union, which has accepted the concept, and Mr Arthur Scargill, the NUM's president, who is opposed to the changes.

The union's annual conference nextweek is expected to call a national ballot on the proposals, with the national leadership recommending rejection.

Mr Ken Moses, the corporation's technical director, said it would need agreement to six-day production before investment worth almost £2bn would be sanctioned for developments.

Owen takes centre-right stance in Commons

BY PETER RIDDELL, POLITICAL EDITOR

DR DAVID OWEN, the leader of the Social Democratic Party (SDP), yesterday defined his new political position in Parliament as an independent, but friendly, critic of the Government.

In his first speech in the House of Commons since the election and his rejection of any merger with the Liberals, Dr Owen expressed sympathy with some of the Government's objectives, particularly on the market economy and education, while allying himself with Tory dissidents such as Mr John Biffen, the former leader of the Commons.

On the closing day of the Queen's Speech debate on the Government's legislative programme, Dr Owen was immediately followed by Mr Edward Heath, the former Conservative Prime Minister, who launched a stinging attack on several of the Government's proposals.

Seying he was merely laying down a few markers, Mr Heath said the proposed community charge was "reactionary and regressive" and described several of the education proposals as "very worrying."

Tory MPs gave a much warmer reception to Dr Owen, who insisted, in spite of Labour jeers, that he would not be crossing the floor of the House, but would be "probing the Government as a Social Democrat."

Dr Owen's speech was awaited with close interest at Westminster in view of his insistence that he will not join merged Alliance party even if SDP members vote, against his advice, to unite with Liberals in the forthcoming ballot.

Unexpected $230m fall in June reserves

By Janet Bush

BRITAIN'S GOLD and foreign currency reserves fell in June, reflecting modest intervention in support of sterling, which weakened as investors took profits after the election.

The underlying fall in the reserves last month of $230m contrasted with substantial increases in April and May of $2.9bn and $4.8bn.

This unusually rapid and substantial build-up in reserves had been due to the official policy of preventing the pound from rising too far, through foreign exchange intervention.

New of the fall in reserves in June took forecasters by surprise as most had looked for another rise of perhaps $500m, reflecting the pound's strength in the early part of the month before the election.

There was also a widespread belief the Bank of England had intervened against sterling on the morning after the election, but this appears to have been untrue.

However, the modest size of the decline in reserves last month was not a worry as it appeared to reflect only small-scale sterling purchases by the Bank of England during the month.

Intervention in June seems to have been modest, whether the Bank was buying or selling the pound, suggesting the currency has been fairly stable overall.

Sterling started strongly yesterday, climbing to a high of 72.6 on its trade weighted index from Wednesday's close at 72.3, before drifting back to close at 72.5. The pound ended European trading at $1.6150

Some reversal of the build-up in reserves will ease the market management problems thrown up by sterling's strength and the official policy of dampening down the currency.

Any increase in reserves counts as negative funding and, if not offset by matching sales of Government debt, can boost broad money-supply growth.

Options tailor-made and gilt-edged

Janet Bush looks at Bank of England plans to liberalise the UK government bond market

THE BANK of England yesterday took another step towards the liberalisation of the UK Government bond market. It has produced guidelines for the issue of warrants on gilt-edged (Government) stocks from July 20 when the appropriate Stock Exchange rule changes come into effect.

The move comes in response to interest from several primary dealers in gilts and from international securities houses which already provide a wide-ranging service to clients in all types of hedging and speculative instruments including options and warrants.

While these houses can write warrants (or tailor-made options) on US Treasury bonds and in other markets, this instrument is not available in the gilt-edged market either to be used as a speculative tool or as an additional way of managing risk.

The Bank sees its permission to write warrants as a quite logical extension of the existing range of risk adjustment instruments. The availability of warrants, if the market in them becomes popular and therefore liquid enough (and this will be up to potential issuers), may well prove an additional attraction to overseas investors to trade actively in gilts.

The most popular form of hedging transactions in the gilt-edged cash market is to take a position in the futures market. Investors are currently offered an option to go into the long-gilt futures contract, the most actively traded on the London International Financial Futures Exchange.

The Stock Exchange provides some options on some specific gilt-edged stocks but these have never been particularly liquied and have, therefore, not been widely used.

The Bank has opened the way for market-makers in gilts and other financial institutions to write tailor-made options, directly relating to specific gilt issues. This may substantially widen the scope to hedge positions in the gilt market and make hedging more sensitive.

The momentum behind the Bank's paper, circulated to market-makers this week, has most likely built up since the entry of US securities houses into the market as primary dealers last October and the involvement in gilts since Big Bang of other institutions which have deep experience in the US Treasury market and the issue of Eurobonds, for example.

These financial concerns are already well versed in the art of option writing, not only in their own domestic government bond markets but also in their wider securities business.

The lack of tailor-made options in the gilt market has long been a topic for discussion, but their introduction has always come up against a sense of caution in the Inland Revenue because of the risk of tax evasion.

After extensive negotiations not only with the Inland Revenue but also with the Stock Exchange, the Bank's paper appears to have got around these potential objections and set up a relatively simple prodential framework for a warrants market.

The Bank intends to apply its normal guidelines on issues in the capital markets to issues of gilt warrants. It will want to be consulted on the timing of issues.

Issuers of warrants have to fulfil one of three requirements. Either the warrants must be issued by a gilt-edged market maker or the terms of the issue must provide the warrants may be exercised only through the agency of a member of the Stock Exchange or the terms have to specifically be approved by the Inland Revenue.

To meet the requirements of the Inland Revenue, the striking price of gilt warrants must be expressed "clean" – exclusive of accrued interest. Issuers will be asked to report periodically to the Bank of England the amount of warrants sold and the amount exercised.

The framework made public this week is a first-shot. The authorities appear to be quite flexible on their ground rules as the market in warrants develops (or does not).

To start with, the Bank expects the warrants to have a life of no more than one year. It would want the aggregate nominal amount of the underlying stock on which any one issue of gilt warrants is exercisable not to be more than £100m.

The total amount of warrants exercisable on a single stock should be limited to 10 per cent of the nominal amount of stock outstanding.

The Bank would want the minimum denomination for the issue, trading and exercise of the warrant to be £100,000. This is designed to restrict warrants activity to professionals – it is not the kind of instrument the authorities want offered to an unsuspecting public on their doorsteps.

City nears agreement on capital backing

BY CLIVE WOLMAN

THE Bank of England, the Securities and Investments Board (SIB), which oversees regulation in the City of London and The Securities Association (TSA), are close to an agreement in principle on determining and monitoring the capital backing of the post-Big Bang securities firms and investment banks.

However, several months of intensive and often heated negotiations have failed to resolve all disagreements on the amount of capital each firm will have to own as a cushion against the risk of holding certain securities and of underwriting.

This may mean that merchant banks and other institutions which use their capital flexibly for both banking and securities business will have to comply with two separate sets of rules in some areas.

The Bank of England has relaxed most of the capital-backing requirements for each category of risk that it proposed in a paper published at the end of last year.

However it has also insisted that the rules be applied rigorously with no temporary or special exceptions made beyond those explicitly allowed for large short-term exposures when, for example, a firm is underwriting a new share of bond issue.

The Bank also continues to urge imposing a greater degree of prudence on securities firms than TSA, whose representatives, with their background of international securities trading, have shown more tolerance of risk.

The principles behind the rules are similar to those proposed last year by the International Securities Regulatory Organisation, which formed TSA as a self-regulating organisation under the Financial Services Act in association with the Stock Exchange.

The riskiness of securities will be determined by reference to their historic volatility and their marketability and allowance will be made for hedging. Both the Bank and the SIB have been attempting to achieve a convergence of capital adequacy requirements with those of the US regulatory authorities.

Agreement is likely on the principles for deciding which firms should have their capital monitored by the Bank and which by TSA. The decision will generally be made according to whether the firm is more actively engaged in traditional banking (including wholesale money market operations) or in securities operations. But a single monitor will be asked to supervise compliance with both sets of rules, if agreement between the two bodies is not reached.

The SIB and TSA are planning to publish their proposed capital adequacy rules in about 10 days. TSA hopes to include the rules as part of the general rulebook that it is submitting to the SIB for approval in mid-July.

Eli Lilly offer to Opren victims

ELI LILLY, the US drug company, made offers of compensation yesterday to several sufferers from the effects of its drug Opren, writes Tony Jackson.

The move continues the battle between the Opren Action Committee, which wants compensation across the board for all sufferers, and the company, which insists that it will only pay in individual cases.

Mr Richard Bailey, managing director of Lilly's UK business, said: "Lilly has previously stated that it was reviewing individual Opren cases for which adequate information was available. We emphasised that our review was advancing, even though sufficient information had not been provided to us in more than half of the Opren claims.

"Nevertheless, Lilly has today made offers through the High Court's payment-into-court procedure on a number of Opren cases. Such offers were made on the available medical evidence from which Lilly and its medical and legal advisers were able to conclude that payment should be made."

■ SHORT BROTHERS, the state-owned Belfast aerospace company faces widespread disruption today by workers protesting against a company ban on Ulster loyalist flags. Workers walked out on Wednesday when the management took down flags erected to commemorate the battle of the Boyne on July 12, a key date in Ulster Protestant history.

■ MORGAN Grenfell, the merchant bank, has named Mr Christopher Whittington as chief operating officer. The appointment marks part of the bank's reshaping after its stormy passage through the Guinness affair.

■ EXPRESS Newspapers is making 2,500 workers redundant in its move to new technology. The group is to spend £127m in new printing plant and equipment and withdrawing from Fleet Street, in central London.

UK NEWS

Ulster politicians seek talks on Anglo-Irish pact

BY HUGH CARNEGY IN BELFAST

THREE SENIOR Ulster Unionist politicians yesterday urged their leaders to initiate immediate talks with the British Government to seek "a reasonable alternative" to the 18-month-old Anglo-Irish Agreement, under which the British and Irish Governments consult over Northern Ireland.

The call came from Mr Harold McCusker MP, deputy leader of the Official Unionist Party (OUP), Mr Peter Robinson MP, deputy leader of the Rev Ian Paisley's Democratic Unionist Party and Mr Frank Millar, general secretary of the OUP.

In an unusually frank report the three said they had found "deep disquiet" among Unionists over the Loyalist protest campaign against the accord. They consulted with a number of groups including churches and business organisations.

Their objective in talks was to achieve devolved government in Northern Ireland, also a key objective of the British Government.

Mr Tom King, the Secretary of State for Northern Ireland, greeted the report as a serious attempt to address vital issues. "I hope, therefore, it will be possible to see ways established in which discussions can be carried forward," he said.

However a breakthrough in the deadlock over the Anglo-Irish Agreement still appears some way off despite these apparently conciliatory statements.

The Unionist report stresses continued Protestant hostility to the accord. The authors make it clear talks must be about a replacement, not about structures to be set up within the framework of the agreement.

This clashes not only with London's and Dublin's continued firm commitment to the deal, but also with that of the nationalist Social Democratic and Labour Party whose participation would be vital.

The report warns that if the Government is not prepared to consider a replacement, Unionists would have to seek an alternative outside the union with Britain, possibly through Northern Ireland independence.

Mr James Molyneaux, leader of the OUP, and Mr Paisley have yet to comment publicly on its findings. They may want to gauge public reaction first.

WELLCOME CHALLENGES US GOVERNMENT ON DDC TREATMENT

Dispute over AIDS drug patent

BY TONY JACKSON

THE WELLCOME FOUNDATION, the UK drug company which developed the AIDS treatment AZT or Retrovir, has applied for a US patent covering DDC, a rival treatment being developed in the US by Hoffmann-La Roche of Switzerland.

Wellcome's application clashes with that of the US Department of Commerce, until now regarded as the drug's owner, which has handed over DDC to Roche for development. Wellcome said its application, made at the turn of the year but only now disclosed, was the later of the two.

Like AZT, to which it is closely related, DDC was first produced in the 1960s by the Michigan Cancer Foundation and then shelved as ineffective against cancer. Both patents now being sought for the drug are use-patents, covering specific use as a treatment for AIDS. "We saw the potential use for DDC and consequently applied for a patent," Wellcome said.

The application implies that Wellcome believes itself to have priority over the US Government in demonstrating the drug's effectiveness against AIDS. The Government's work was done by the National Cancer Institute in Washington, a government agency.

DDC is reported to be as effective as AZT in slowing the progress of the disease, but with fewer side effects. The clinical trials needed for official approval to market the drug are expected to take another year or two, whereas AZT became available to the public earlier this year.

However, DDC is widely regarded as much the most important competitor to AZT, which is still the only AIDS treatment on the market. If Wellcome were to wrest control of DDC from the US Government, it would have a monopoly of AIDS treatments for the foreseeable future.

Wellcome said it had also applied for a patent covering the use of the two drugs in combination. Dr Samuel Broder of the National Cancer Institute, who did pioneering work on both AZT and DDC, told a recent Washington conference that test-tube trials had shown the two drugs to have synergy against the virus.

Wellcome said it was also looking at combining AZT with another drug from the Pasteur Institute in Paris, confusingly named DTC or immuthiol. DTC is an immune stimulant, not an anti-viral drug. Wellcome said it had not yet decided whether to proceed with the project, which had been first suggested by the Pasteur Institute.

Offshore supplier markets 'super-steel'

BY PETER MARSH

A UK initiative to sell a new "super-steel" to the offshore and chemical industries has been launched by Mather and Platt Machinery, a leading pump manufacturer.

Mather and Platt, which is based in Manchester and owned by Wormald International of Australia, has concluded marketing agreements with several UK metals companies to sell zeron-100, a stainless steel claimed to have extremely good corrosion resistance and strength.

Mather and Platt developed zeron-100 mainly for use in its pumps, which are widely used in oil and gas platforms. However, according to Mr Cec Roscoe, chief metallurgist at Mather and Platt, the main uses of the material are unlikely to be in other areas, in pipework and other systems for offshore platforms and chemical plants.

The company forecasts sales of about £10m a year over the next few years, with revenues shared between the various concerns participating in the marketing arrangements. Mr Roscoe said the metal had an enormous potential.

Special stainless steels are seeing increased use in parts of oil and gas platforms which, for safety or operational reasons, have to be highly resistant to corrosion.

Amerada Hess, the US oil company, is the first customer for pipes made from zeron-100, buying several hundred thousand pounds worth for use in a water-injection system for a North Sea platform due to enter operation in 1989.

A second oil company had placed an order worth about £4m, Mather and Platt said.

RGB Stainless, a steels distributor based in Birmingham, is acting as a project manager for selling zeron-100 to the offshore industry.

Other UK companies involved in the marketing effort include BSC Stainless, part of the British Steel Corporation, and Birmingham-based Wiggin Alloys, both of which are making bars and plates.

Technology, Page 11

Shop workers aim to increase aid to black S African unions

BY JIMMY BURNS, LABOUR STAFF

LEADERS of Usdaw, Britain's shop workers union, are to implement a voluntary levy – equivalent to one day's salary – among their 382,000 members to help boost their financial assistance to South Africa's black trade unions.

At the same time they have reaffirmed their full support for a total boycott of South African goods in British shops and supermarkets.

The initiative was announced yesterday by Mr Garfield Davies, Usdaw's general secretary after his return from a visit to South Africa sponsored by Britain's Trades Union Congress (TUC). Mr Davies was accompanied on the trip by Mr Syd Tierney, the union's president and the chairman of the Labour Party.

Mr Davies said that his talks with South African union officials and his experience of the "appalling contrast" between the impoverished black townships and the affluence of the white residential areas had left him convinced of "the need to demonstrate a much greater degree of solidarity."

He said black unions were facing increasing financial and political pressures as a result of recent strike action and the bombing of the headquarters of the Congress of South African Trade Unions (Cosatu).

Nevertheless Mr Davies stressed that he still believed that the unions remained the only hope of peaceful change in South Africa and represented a viable alternative to "bloody revolution."

Mr Norman Willis, TUC general secretary, said yesterday the TUC would increase its pressure for the release of detainees because of what he described as South Africa's "information blockade."

However TUC officials indicated privately that dwindling financial resources and the falling membership of many individual British unions could undermine a more concerted campaign.

Small oil groups call for fairer deal

BY MAURICE SAMUELSON

FT CONFERENCE
Oil & Gas Reappraised

MR CECIL PARKINSON, the Energy Secretary, was urged yesterday to pay greater heed to the health of oil companies than his predecessor and to override the hostility of civil servants to independent offshore operators.

Mr Algy Cluff, chairman and chief executive of Cluff Holdings, the independent oil company, made the plea to a London conference "Oil and Gas Reappraised" organised by the Financial Times.

Emphasising the need for continued exploration for new oil and gas reserves, he said the independent companies had a "vitally important role to play" as aggressive risk takers and "shock troops."

However, UK civil servants had never understood them and forced them to accept terms which were more appropriate to majors.

He hoped that Mr Parkinson, as an entrepreneur, would remove the restriction on farming out of wells. "All the Energy Department needs to do is to satisfy itself that from a technical point of view a company is a fit one to own a North Sea licence and then leave the companies alone to farm-in and out as they please. In this way, he could provide for the creation of a really vigorous independent sector."

Referring to the oil price collapse, he said that for the past two years his own company had switched its exploration efforts from oil to gold and other precious minerals. However, it was again inclined to earmark a modest percentage to oil.

In an overview of price trends, Mr Ted White, managing director of Petroleum Economics (PEL) said that if 1986 had been epitomised as the year of the oil price crash, 1987 had so far been the year when Saudi Arabia, fully backed by other Opec members and with moderate support from some other exporters, "has sought not only to turn the tide but also to erect the barrier that can prevent the potential devastation of future tidal movements."

But there were some "ominous storm clouds," especially Iraq's persistent over-production and increased potential export capability later in the year as the extension to the Turkish pipeline came into operation. In comparison, the persistent over-production of the United Arab Emirates was "a passing shower from which the Saudi umbrella can probably shield the market."

Referring to what he called a "three-tiered" world oil market, he estimated that during the first half of the year the total volume of oil reaching the market outside the Eastern block and China averaged around 47m barrels a day with:

- Under 10 per cent moving at Opec's fixed reference prices;
- More than two thirds being sold at market clearing prices;
- Some 25 per cent going at prices closely aligned at times to the Opec reference price and at other times to the market clearing price.

The recent price stability was reflected in the fact that since May the spot prices for two of the leading brands of crude oil – Brent and Dubai – had been closer than ever to their official price.

Whether or not this stability continued would depend on the level of demand. If it were to be weak, as Mr White's company believed, the determining factor in holding prices would be Opec's capacity to keep in place the barrier established in December 1986.

A number of speakers then dealt with the effect of price movements on output and demand in the UK and Norway. Dr Pierre Jungels, managing director and chief executive of Petrofina (UK) and president of the Institute of Petroleum, said that reduced crude costs on the UK product marketing and prices had been "a great non-event."

On the volume side, there had been "a brief period of glory" when fuel oil was cheaper than competing fuels and gasoil/heating oil was stored by end users. But UK marketing and prices were now back to the pre-1985 situation in relation to cost.

Mr George Band, director general of UK Offshore Operators Association (UKOOA), said that as a result of the oil price collapse most of his association's members had trimmed their exploration budgets by around 30 per cent and in some cases their manpower quite severely.

In Scotland alone, it had been estimated that some 14,000 jobs had been lost from the offshore industry.

In a seperate paper on the outlook for international gas, Mr Malcolm Peebles, director of Shell International Gas, said he remained bullish about future trading, but he complained about a lack of urgency in developing new reserves because of the long times involved.

Increasingly, the US and many European countries would have to look for foreign supplies to satisfy their demand for gas. Japan had proved that reliance on imported gas was a viable and realistic option, if both sellers and buyers understood each other.

Rundown continues at Scots oil platform yard

BY JAMES BUXTON, SCOTTISH CORRESPONDENT

THE UIE offshore fabrication yard on the Clyde, central Scotland is set to be reduced to a care and maintenance basis later this year.

The French-owned yard will today start issuing redundancy notices to 204 of the hourly-paid workers at the yard, leaving a labour force of only 60.

This will be reduced to just nine in October, when the yard completes its last contract. Earlier this year, the labour force at the yard was cut from about 900 to about 270.

The drastic labour shedding at the yard – which occupies the site where the Cunard Queen liners were built – follows UIE's failure to win a contract worth more than £5m for wellhead decks for Conoco, the US oil company.

UIE currently has only one platform module under construction, also for Conoco, and this is expected to be completed three months ahead of schedule in October.

UIE, which belongs to the French construction company Bouygues, had pinned its hopes of surviving for at least another nine months on winning the Conoco order, for the Valiant gasfield in the southern North Sea.

But it failed to agree a price with Conoco, in spite of the initial absence of other bidders. Later the order went to Press Offshore of Wallsend, Tyne and Wear, in open tender.

Mr Campbell Christie, general secretary of the Scottish Trades Union Congress (STUC), said last night that unless the Government stepped in to direct work to UIE it was the end of the yard.

THE MERCEDES-BENZ T SERIES: 200T, 230TE, 300TE and 250TD.

Mercedes-Benz prove it once again. An estate doesn't have to be ugly and boring.

You may choose a Mercedes-Benz estate for practical reasons but you'll soon come to think of it as an inspired choice. No other estate car is so admired. Then again, no other estate car is engineered like a Mercedes-Benz.

The T-series didn't start life as a saloon car stretched to accommodate extra loads. It started life as an estate car, purpose designed. And functional though it is, it's one of the most elegant cars in production today.

Clean-cut, sleek looks add significantly to its slipperiness, evidenced by a drag coefficient of just 0.34. An impressive figure when you consider the priority Mercedes-Benz put on the practical nature of an estate car. Other innovative technical achievements are equally significant.

Under the bonnet of the 300TE lies a powerful engine featuring microprocessor controlled ignition and electro/mechanical fuel injection. The single overhead cam, straight six delivers 188 bhp from its 3 litres and the four-speed automatic box has both sport and economy settings.

The performance, as a result of all this meticulous technical nurturing, is remarkable. Without any undue stress, to either engine or driver, the 300TE can gracefully exceed 130 mph. Should you wish to pass 60 mph in the shortest possible time it will take less than 9 seconds (manufacturer's figures).

The much sought after 200T and 230TE share the same aerodynamic good looks but have very efficient 2 litre and 2.3 litre, four cylinder engines, respectively. The 250TD has an even more economical 2.5 litre, five cylinder, diesel engine. To prove the point, official figures for the 250TD, 5-speed manual are 29.7 mpg in the simulated urban cycle, 48.7 mpg at a constant 56 mph and 36.2 mpg at a constant 75 mph. Yet the diesel is capable of over 100 mph (manufacturer's figure).

As you'd expect from a Mercedes-Benz the roadholding is very sure-footed. On all T-series the multi-link rear suspension system incorporates a self-levelling device, so irrespective of the load carried and the road surface, they retain their composure.

The wide-opening tailgate glides up and down on two gas-filled struts. It even has its own electric motor to pull it firmly shut. The exceptional load space has a flat floor, is clear of any obstructions and can be progressively enlarged to accommodate bigger loads.

Not only is there plenty of room for unusually long and awkward shapes but plenty of ways to fit them in. The rear seat can be divided and the front passenger seat folds back to give five different load space combinations.

Besides loads of room there are loads of seats. An optional, rear-facing, retractable row of seats suitable for two children, increases to seven the number of people a T-series can carry in comfort.

"Performance Car," who recently tested a 300TE against its two main competitors, called it "Superbly engineered and executed with a degree of attention to detail that neither of the others can match."

All this adds up to the T-series being not just a practical car but a desirable object, to boot.

Engineered like no other car in the world.

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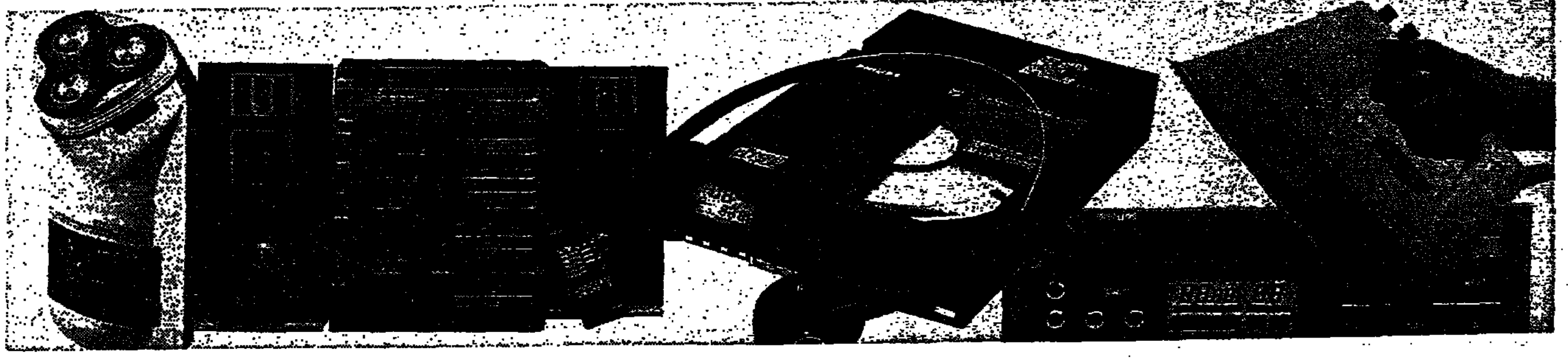
MANAGEMENT

EDITED BY CHRISTOPHER LORENZ



Philips learns to field a united team

Christopher Lorenz explains how the Dutch multinational is putting an end to factional infighting

DEEP IN discussion with several colleagues about a revamped sales strategy, a Philips marketing manager was astonished to see a development engineer nod his head in vigorous agreement. "I'm amazed that you understood what we were talking about—let alone that you agreed with it," he told him afterwards.

The incident, which occurred in May, epitomises a dramatic change which is under way within the Dutch-based electronics multinational: groups of different specialists within individual divisions and business units are starting to be trained to operate as close-knit teams rather than as mutually uncomprehending and often warring factions.

Only a year ago Lou Ottens, a senior Philips executive with a board-level mandate to improve the entire company's innovation process, felt it necessary to warn managers again that traditional "tribal interests" were dangerous, and to remind them that multidisciplinary teams must form "a new tribe aimed at fighting the competition and nobody else."

In contrast with many other western companies—such as Volvo, the previous one featured in this series—multifunctional teams have existed on paper for at least five years within parts of the sprawling Philips empire. But only in a minority of cases have they operated effectively; most are in slower-moving markets, such as electric shavers.

As a result, though Philips' market performance and profitability have recovered sharply since the early 1980s, when it was almost left for dead by more fleet-footed Japanese competitors, the company has continued to lag in the electronic "product race."

For several years top management has issued constant clarion calls about the need for greater speed and cross-functional collaboration, not only in product development but also in every other area of decision-making and execution.

As Cor van der Klugt declared in a video "message from the president" when he took command of Philips last year, "the commercial life of products is shortening. Changes in the market succeed each other at ever shorter intervals. We must work faster. Speed is the keyword. We can gain speed by managing our activities in parallel rather than sequentially," and by using "a dedicated team combining all relevant activities."

Such sentiments have been backed since the early 1980s by action, on several fronts, drastically to simplify and streamline Philips' exceedingly cumbersome structure.

Since 1982 power has been shifted away from Philips' myriad of geographic subsidiaries (its "national organisations") towards the central product divisions, their constituent business units, and the smaller "product groups" which are responsible for individual product lines.

There has also been a dismantling of the company's notorious system of "double-headed management," under which decisions at almost every level had to be taken in tandem by a set of executive twins: a "commercial" manager and his "technical" counterpart. Now the emphasis is on what Philips calls "product management," with a single executive in charge, often someone with a strong commercial background.

Yet many product managers have found it difficult to get the various specialists beneath them to act as proper teams. Instead, functional incomprehension and rivalry have persisted in many parts of the company, with the result not only that decision-making has been slow, but that actions decided early in the development process by one set of specialists have had to be revised at a later stage to take account of factors such as cost and ease of manufacture, or even target marketing—something that should have been defined correctly early in the development cycle.

"Teams only work if each member understands the others, and takes into account his impact on them," says Marinus Gelijns, senior managing director of the consumer electronics division.

Hence the importance of Ottens's special innovation mission, his final assignment before retiring last year.

Ottens's mission grew out of a drive to improve the logistics of Philips's factories and distribution network; the company has since redesigned many of its plants in order to improve quality, cut costs, and slash throughput times. "We're now very advanced in terms of rational manufacture," claims Gelijns.

"Once you have very strict control over manufacturing, you can see where all the remaining problems come from—further up the chain," says Gelijns. "So we realised that we must have the same discipline going back into development."

With two Philips staff units—Organisation and Efficiency (O&E) and Corporate Industrial Design (CID)—Ottens and several American academics then developed a programme of team training sessions called "Design for Market." Since Ottens's retirement, the programme's organising committee has been chaired by Robert Blaich, head of CID. Under his leadership, industrial design has become much more influential within Philips than in most other large western companies.

The seminars, which have been running since 1985, "are unique in that the vast majority of Philips' management education focuses on the individual. "It's the first time that the company as a whole has addressed complete multidisciplinary teams in management education," says Peter Weltevreden, a director of corporate O&E. A few business units and product groups have done so, but only in an isloated and patchy way. Other corporate programmes have addressed teams, but only those composed of a limited set of functions.

To the obvious question of why Philips did not realise the need rather earlier, one candid executive admits that "as in other companies, our management training tends to follow organisation changes, rather than anticipate them."

Gerrit Jeelof, vice-chairman of Philips's board of management, stresses the importance of the fact that Design for Market concentrates on helping co-ordinate the management of manufacturing, marketing, industrial design and development throughout what Philips calls the product renewal process. "Dialogue at all points in the process is the key concept," he says.

The training programme has certainly helped most of the 12 consumer product groups which have attended part or all of it so far. (It will be extended to Philips's component business in the autumn, and then to professional products.)

Though the personal care group (including rota shavers) had undergone team education before, and has for years been one of the more cohesive, well-planned and effective teams within Philips, Jan Tollenaar, its managing director, says the initial session his shaver team attended in May "was of great value."

However effective a team might be, "its members change, and people fall back into their old attitudes. We discovered the loose bricks in our strategies—one tends to become blind over time to one factor or another." Specifically, the session prompted his team to do more thorough competitive analysis.

Philips's ironing products group, which went through the entire programme last year, was more typical in that it started from a lower level of cohesion. During and after the first session in the spring of 1986 "the improvement in cross-border communication was amazing," says Atok Ilhan, the group's director.

"Production engineers suddenly understood what was meant by price points and distribution channels, and why some products heed to be made in two colours, others in five."

The ironing group was engaged at the time in defining a new range of products for launch over the next few years, so the programme was especially timely. Team spirit and collaboration has now developed further, in that marketing, design, development and manufacturing people are all involved in previously specialised work such as pricing and the specification of electronic functions. Says Ilhan: "This was taboo before—for instance no factory would talk cost prices with the marketing and development people."

Since his group completed the corporate seminar programme Ilhan has reinforced its impact with his own bi-monthly Design for Market sessions, involving both the original team and more junior members of the group.

True to the wider aims of Design for Market, this greater cohesion and parallel working has already helped reduce the development cycle on Philips' irons from two years to 15 months. "That's good, but not enough," says Ilhan. "Our competitive edge is to be in the market ahead of others. Our final goal is just nine months."

In the harder-pressed consumer electronics division dramatic progress has also been made. The development cycle of hifi systems, for instance, has been more than halved over the past four years, from 25 months to under a year. But Philips cannot yet match the slightly shorter cycle which several Japanese competitors have already achieved.

In that particular product race, as in others, Philips still has plenty of catching up to do. Now that the hifi team has just completed the Design for Market training programme, there is a better chance that it will be able to close the gap.

The first three articles in this series appeared on June 17, 19 and 26. The next will be published on July 10.

THE PRODUCT RACE

EACH "Design for Market" seminar is attended by teams of about a dozen line specialists from three different product groups; at the one held in May at a coastal resort near The Hague, the groups were in-car entertainment, rota shavers and dishwashers. Participants were drawn from several European countries, a critical factor because national differences have tended to exacerbate Philips's functional factions.

Every team in the programme attends a sequence of three sessions spread over six months at which they learn new approaches and techniques for use in both main parts of the product renewal process: first, the initial planning of business unit and functional strategies (what Philips calls *"predevelopment"*); and then the actual execution of the product development process itself, using overlapping rather than sequential phases.

Between the sessions, in a form of "action learning"—as opposed to the ineffective classroom teaching of much management education—participants put the new principles into practice, developing co-ordinated plans and implementing them. They are also charged with disseminating the approach throughout their unit. The process gradually builds up to the point where, a year after the first session, the three groups meet to review results.

The initial session concentrates heavily on "mapping," a technique of knowledge-building and sharing which has been used with great success by several American companies, including Apple.

***Maps of market shifts,* technology trends, competitors' strategies and so on are prepared by different specialists, both individually and together, in a way which encourages team discussion, and enables differences to be resolved before product development is actually begun.**

"Mapping is really a way of giving team members a language they can share," says Earl Sasser, a Harvard Business School professor who had worked on the logistics improvement programme before he was asked to help develop and teach Design for Market. He has now handed over to a team of consultants from the Boston-based Monitor Group.

"Once the participants create the maps, they discover the inconsistencies between what they're planning—*for instance* manufacturing might not be planning for sufficiently flexible automation, despite differing needs in various countries," says Sasser. "When you have all this in front of you, the inferences you start drawing are amazing—not only for your own company, but for competitors too."

TECHNOLOGY

Steeled against waves of destruction

Peter Marsh reports on a new family of metals which can withstand corrosion for decades, despite exposure to salt water

SAFETY officers on oil and gas platforms in the North Sea have their own secret nightmares *about what would happen* should fire break out. In the event of an emergency, no one really knows how reliable these facilities' fire-fighting systems, based on pumps directing thousands of gallons of sea water on to the blaze, would turn out.

The problem is the highly corrosive effect of sea water, to which pipework and related fittings are continually subjected. There is an ever-present fear that an unmonitored outbreak of rust in a vital part of the systems could either block up pipes or, worse still, snap whole sections, putting at risk both lives and hugely-expensive equipment.

These nagging fears help to explain the increased interest shown by companies operating in the North Sea in new and exotic stainless steels which virtually guarantee proof *against corrosion for decades.*

Another feature of the steels is their high strength. Sections of pumps, pipes and related areas can be made thinner, saving weight and costs. For every tonne of weight that can be saved in equipment carried on a platform, construction costs can be cut by about £150,000, according to one rule of thumb in the oil industry.

Typically, oil companies would consider such steels, which at anything up to £10,000 a tonne are between three and 10 times more expensive than the ordinary stainless steel from which standard oil pipes would be made, only for critical parts of their platform systems.

These would comprise not only fire-fighting equipment but water injection and cooling systems.

Because of their high cost, the market for the new "super steels" is by no means huge, although it is growing steadily. Avesta, a Swedish company which is the leading supplier of the materials, says it has sold since 1980 about 6,000 tonnes, worth roughly £30m, of a special high-alloyed steel for use in the offshore industry. The main customer has been Statoil, the Norwegian oil company. Current sales of the steel are running at about £10m a year.

According to Mr Rolf Nilsson, head of research and development at Avesta offshore companies are showing more interest in the materials as part of a general effort to cut maintenance costs and ensure vital parts of their platforms are safe. Other customers are appearing from the chemicals and pulp-and-paper industries, which use such materials in pumps and other equipment that have to withstand corrosive atmospheres.

Avesta, together with a few other makers of special steels such as Sandvik, also of Sweden, VEW of Austria and West Germany's VDM, have had the offshore market very much to themselves in recent years. Mather and Platt Machinery, a UK company which is part of Wormald International of Australia, is attempting to challenge the leaders with another new steel, called zeron-100.

Unlike Avesta's product, which is called an austenite steel, zeron-100 falls into a class of steels called duplex materials. These have a dual structure, roughly half of the metal comprising iron in a certain form called austenite, while the other has what is called a ferrite structure. Austenite iron is non-magnetic while the ferrite form is magnetic. In both forms, iron atoms are arranged in a cubic lattice, although the layout differs slightly.

The advantage of duplex materials, in which blobs of austenite iron reside in a sea of ferrite material, is that the different forms of iron reinforce each other. This is similar to the way that tiny snippets of glass fibre in plastic strengthen the overall structure.

Duplex steels can thus be made stronger than austentite materials and at the same time they have a good resistance to corrosion. This last property follows as a result of the presence in the alloy of elements such as chromium, nickel and molybdenum which form protective layers of oxide on the surface. Such substances are also present in austenite steel and (in lower concentrations) in the lower-grade stainless steel from which cutlery is made.

Although duplex materials have been in use in the North Sea for more than a decade, most oil companies see little difference between their properties and those of the high-grade austenite steels made by companies such as Avesta.

Where Mather and Platt hopes to score with zeron-100 is in the addition of small amounts of nitrogen atoms into the lattice structure. For reasons that are not completely understood, this seems to impart both extra strength and better corrosion resistance than many grades of austenite steels.

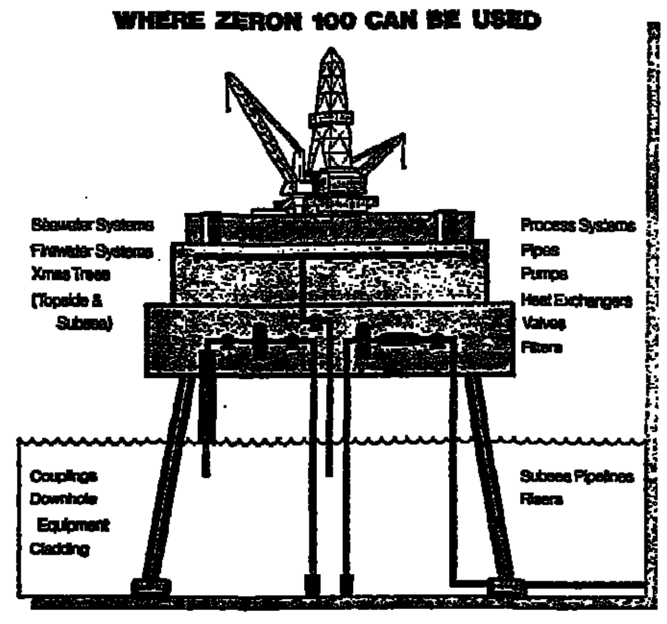
Resulting from this, Mather and Platt suggests that zeron-100 has properties better than existing duplex substances. It has accordingly branded zeron-100 a "super-duplex." Few other companies are confident (or brash) enough to make such claims for their materials, although Sandvik, which makes high-grade austenite steels under licence to Avesta, has announced its own similar "super-duplex" which is available in limited quantities.

Another important factor, according to Mather and Platt, is that zeron-100 can be welded and worked into different shapes relatively easily, in jobs that can be difficult with some highly-alloyed steels. Zeron-100 contains relatively little nickel and molybdenum—their concentrations are 7 per cent and 3.5 per cent, or roughly half what might be expected in an austenite steel—which lowers the cost of the material. Mather and Platt says zeron-100 will sell for £3,000 to £5,000 a tonne, or roughly half the cost of some forms of high-grade austenite.

The claims for zeron-100 appear to have convinced Amerada Hess, the US oil company, which has ordered the material for about 700 metres of pipework for a floating platform it is due to operate in the North Sea from 1989. The platform is earmarked to take oil from the Ivanhoe and Rob Roy fields. The company says it specified zeron-100 "due to its weight advantages and corrosion resistance.

Other oil companies evaluating zeron-100 include BP, Occidental and Shell. Mather and Platt also has high hopes for selling zeron-100 to process-plant suppliers, for example to makers of equipment that will remove sulphur dioxide from the emissions from power stations. The Central Electricity Generating Board in the UK is investigating use of the material in the pipes and other systems which would have to resist corrosive atmospheres in such equipment.

WHERE ZERON 100 CAN BE USED



How Mather found the ingredients for a rust-beating recipe

AN unusual combination of a hard-edged marketing investigation together with an inspired piece of academic research led Mather and Platt Machinery into its developments in special steels.

As a manufacturer of pumps for the North Sea offshore industry, the company cast around in the mid-1970s for new, strong metals with good corrosion resistance. Such materials promised both to reduce the amount of metal needed for the company's products (so cutting weight and cost) and prolong their lives.

Finding many of the available grades of steel lacking, Mather and Platt commissioned its workers to come up with a new material. Kevin Gradwell, a Mather and Platt scientist, developed zeron-25, a duplex steel.

This is a class of steel in which roughly half the iron is in one form, called austenite, and the other in what is called a ferrite structure.

Although Mather and Platt has had some success in using zeron-25 in its pumps, the alloy's properties were still not as good as some forms of high-grade austenite steels.

The company asked Cee Roscoe, a metallurgist employed by Mather and Platt, and who was about to start a PhD at Manchester University, to find a material that was better than zeron-25. Zeron-100, on which Roscoe worked while at Manchester, was the result.

The key to zeron-100's improved properties lies in the extra nitrogen atoms packed into its lattice structure. It contains 0.25 per cent nitrogen, compared with 0.14 per cent in an ordinary duplex steel such as zeron-25. The difference may seem barely significant but according to Roscoe, who is now Mather and Platt's chief metallurgist, the extra atoms mean the two substances are "worlds apart."

The additional nitrogen distorts the structure of the steel in such a way that the lattice locks together better, thus resisting cracking. Furthermore, it appears that the increased concentration of the element results in a surface layer of nitrogen, a few atoms thick, which helps to prevent attack by corroding materials such as sea water.

Roscoe had to find a way of making zeron-100 relatively easily, in such a way that the extra nitrogen did not interfere with the other elements and trace impurities which are added to the steel, all of which are vital in giving the metal its properties. These other materials include chromium, nickel, carbon and tungsten.

Information about this manufacturing routine, which as Roscoe describes it adds up to a giant exercise in closely controlled cooking, finally had to be communicated to the companies which Mather and Platt has commissioned to turn out zeron-100 in bulk. Such concerns include BSC Stainless, part of the British Steel Corporation, and Wiggin Alloys.

Mather and Platt needed these companies as, early on, it realised it could not go it alone. As a maker of pumps, a business in which it competes with concerns such as the UK's Weir, Sulzer of Switzerland and Ingersoll Rand of the US, Mather and Platt does not have the resources to turn out steels in standard forms, such as plate and tubes, and to sell metals to a wider industry.

Last but not least, Mather and Platt had to convince other parts of the UK's metals industry that it had a good product that had a big sales potential. "There were two years of discussions," says Roscoe. "It seemed to take a terribly long time." Several concerns, among them BSC and RGB Stainless, a steels distributor in Birmingham, have now swung their weight behind zeron-100, and Roscoe is hoping for greater things from his invention.

Interaction on CD software

PHILIPS of the Netherlands and Sony of Japan — joint promoters of compact disc read-only memory (CD-ROM) and its derivative, CD-I (compact disc-interactive) — have developed a fully functional specification for the latter. This will allow licensees to go ahead and develop software.

CD-ROM is basically a data "gramophone record" which is stamped out in a factory and can hold large amounts of text and data. CD-I is an extension of CD-ROM which is intended as a consumer product. It will carry text, audio and video material with which the user can interact, according to programs on the disc, via a built-in microprocessor in a CD-I player.

For example, a map might be accompanied by pictures of the area and say, a list of hotels. New kinds of interactive games are possible and the technique has interesting educational and training possibilities. CD-I players are expected to be on the market during 1988 at prices similar to the more expensive compact disc audio players.

Sony expects that 50 to 60 disc programs will be on the market at the time of the launch. It is planned that ordinary compact discs will be playable on the new CD-I machines.

This pig will sniff out pipeline faults

BRITISH GAS is offering a world-wide service that enables the insides of pipelines to be inspected and problems located to within 1.5 metres.

A vehicle known as an "intelligent pig" is carried along the pipeline by the flow of product and incorporates a magnetic detection system that identifies any metal loss due to pitting, corrosion or mechanical damage. Pigs can be sent down pipes of 200 to 1,200 mm diameter.

The sensing method is to magnetise a section of the pipe wall as the pig passes and then to detect any local disturbances of the field due to a metal fault.

The pig has three wheels spaced round the periphery, two of which are always in contact with the pipe wall. The wheel rotation is measured to give the distance travelled along the pipe. In addition, the pig rotates and can say where, round the 360 degree travel, the trouble spot lies. All the data is collected by an on-board processing unit and a tape recorder.

The accurate data provided by the pig allows big savings in costs. In Canada for example, one operating company, Nova, saved an estimated $2.6m compared with conventional hydrostatic testing.

A market eye to needs of the user

ONLINE INTERNATIONAL, mainly known for its organisation of technology conferences in London, is moving into the market research field.

The new unit will produce a series of market research reports focusing on specific areas of technology and concentrating on the needs of technology users rather than what is available from manufacturers. The reports, says new divisional director Mr R. Turner, will be about "what the customer wants and what he is prepared to pay for it."

WORTH WATCHING

Edited by Geoffrey Charlish

CONTACTS:

Sony: UK office, 0784 61688. British Gas: 0670 713401. Online International: London, 868 4468.

FT LAW REPORTS

Price of option release is a taxable asset

WELBECK SECURITIES LTD v POULSON (INSPECTOR OF TAXES)

Court of Appeal (Lord Justice Slade, Lord Justice Ralph Gibson and Lord Justice Bingham) June 12 1987.

RECEIPT OF a capital sum in consideration of releasing an option is a chargeable "disposal" of assets which occurs when the sum is received.

The Court of Appeal so held when dismissing an appeal by Welbeck Securities Ltd from Mr Justice Hoffmann's decision (*[1986] STC 423*) that it was liable to corporation tax on £2m received for release of an option.

Section 22(3) of the Finance Act 1965 provides: "subject to . . . exceptions . . . there is . . . a disposal of assets by their owner where any capital sum is derived from assets notwithstanding that no asset is acquired by the person paying the capital sum, and this subsection applies in particular to (c) capital sums received in return for . . . surrender of rights . . ."

Section 23(3): "Subject to . . . paragraph 14 of Schedule 7 . . . extinction of an asset shall . . . constitute a disposal of the asset . . ."

Paragraph 14 of Schedule 7: "(3) . . . abandonment of an option . . . shall not constitute the disposal of an asset . . ."

LORD JUSTICE SLADE said that from April 1961 Welbeck had an option to acquire from two companies an interest in a London property development.

Welbeck issued proceedings against the companies to enforce the option. On January 17 1974 the proceedings were compromised by an order made with the consent of the parties. It provided that the companies should pay Welbeck £2m on or before May 31 1974, in consideration of which Welbeck would abandon the option.

On May 31 the companies paid the £2m. Welbeck was assessed for corporation tax on chargeable gains arising from surrender of the option for its 12-month accounting period ending March 31 1975.

It appealed successfully to the Special Commissioners, relying on paragraph 14(3) of Schedule 7 to the Finance Act 1965, which provided that abandonment of an option did not constitute "disposal of an asset."

The Crown appealed from the General Commissioners. Before the appeal was heard Mr Justice Vinelott delivered judgment in Golding [1984] STC *152* on facts indistinguishable from the present case.

He accepted that surrender of the option constituted an abandonment within paragraph 14, but held that receipt of the consideration gave rise to a disposal of assets under section 22(3).

In the present case Mr Justice Hoffmann expressed the view that *Golding* was right, and allowed the Crown's appeal.

On appeal from his decision Welbeck argued that paragraph 14 precluded any chargeable disposal from having accrued.

Section 19(1) of the Act provided that tax should be charged on gains accruing on the "disposal" of assets. Section 22(1) provided that "assets" included options.

The Act contained no comprehensive definition of "disposal," but provisions subsequent to section 19 extended the ambit of the word beyond what might be considered its ordinary meaning.

Section 22(3) provided that there was a disposal of assets where any capital sum was derived from assets, notwithstanding that no asset was acquired by the person paying the capital sum. Section 23(3) provided that extinction of an asset constituted disposal of the asset.

Welbeck's option constituted an "asset" by virtue of section 22(1). *Prima facie* there was a "disposal" of that asset within the extended meaning in section 22(3)(c), when a capital sum of £2m was derived from that asset in return for "surrender of rights."

Mr Beattie for Welbeck submitted that if section 22(3) applied at all it would require Welbeck to be treated as having disposed, not of its option, but of its right under the consent order to be paid £2m. Receipt of the £2m on May 31 1974 produced merely a minor capital gain measured by the excess of the £2m over the value of the right to receive it on or before May 31.

Those submissions were based on *Marren v Ingles [1980] STC 500* where the House of Lords held that a right to receive deferred consideration was a separate asset, and the deferred consideration was a capital sum derived from that asset.

In that case the sum was paid to extinguish the right to receive the deferred consideration, and not as part of the consideration.

The present case was quite different. The £2m was simply consideration for release of the option and was derived from the option. Receipt of the £2m was not derived from the right to receive the £2m rather than from the option itself.

Therefore, if section 22(3) applied, Welbeck was to be treated as having disposed of its option and not of its right under the consent order to be paid £2m.

Mr Beattie submitted, however, that even if section 22(3) *prima facie* gave rise to a disposal of the option on May 31, Welbeck was exempt by paragraph 14(3) of Schedule 7.

He argued that section 22(3) was expressed to take effect "subject to the exceptions of this part of this Act," and that among the relevant exceptions was abandonment of an option under paragraph 14(3).

The general rule laid down by section 22(3) was that there was a disposal of assets "where any capital sum is derived from assets, notwithstanding that no asset is acquired by the person paying the capital sum."

The Act contained exceptions to that rule.

Paragraph 14(3), read alone, could not constitute an exception. All it expressed to exempt from the category of a "disposal," was "abandonment of an option."

If read alone it did not, in terms or by implication, exempt from that category the receipt of a capital sum on abandonment of an option.

Accordingly, unless there was some context which compelled a contrary conclusion, Mr Justice Hoffmann was right.

One purpose of paragraph 14(3) must have been to preclude a taxpayer from asserting that abandonment of an option gave rise to a disposal under section 23(3) and thus to allowable loss.

In considering the paragraph's legislative purpose there was no good reason why parliament should have intended to exempt receipt of capital on release of an option from constituting a disposal under section 22(3).

There was nothing in the context of paragraph 14(3) or in its legislative purpose to affect the conclusion that, according to a fair and ordinary reading, paragraph 14(3) was not an exception to the operation of section 22(3).

It followed that paragraph 14(3) could confer no exemption from the chargeable disposal which arose under section 22(3) when the capital sum was received by Welbeck for surrender of its option.

"Abandonment of an option" in paragraph 14(3) was wide enough to cover all occasions of the extinction of an option, other than by exercise, whether or not a capital sum was received in respect of such extinction.

Mr Beattie submitted that if a chargeable disposal did occur, it took place on January 17 1974, outside the assessed accounting period.

Section 45(5) provided that in the case of a disposal within section 22(3)(a), (b), (c) or (d), time of disposal was "when the capital sum is received."

The disposal was within section 22(3)(c). By virtue of section 45(5) it occurred on May 31 1974.

The appeal should be dismissed.

Lord Justice Ralph Gibson agreed. Lord Justice Bingham gave a concurring judgment.

For Welbeck: Charles Beattie QC and GRA Argles (Courts & Co).

For the Crown: Edward Nugee QC and Christopher McCall QC (Inland Revenue solicitor).

By Rachel Davies
Barrister

APPOINTMENTS

Gallaher deputy chairmen

Mr A. D. Househam and Mr P. M. Wilson have been appointed deputy chairmen of GALLAHER. Mr Househam will be responsible for non-tobacco interests. Mr Wilson will be responsible for the overall tobacco sector and has also been appointed chairman and chief executive of Gallaher Tobacco.

★

Mr Barry Hunt has been appointed deputy managing director of SUSSEX COUNTY BUILDING SOCIETY. He was assistant general manager (operations).

★

COSTAIN PETROCARBON has appointed Mr Terence Chappell as managing director (designate) of its nuclear engineering division. He will succeed Mr Philip Hoare, the present managing director, on his retirement in 1988. Mr Chappell was formerly deputy director of engineering with the United Kingdom Atomic Energy Authority with overall responsibility for project management and design of all major engineering projects carried out by the northern division of the UKAEA.

★

Mr Christopher Houlding and Mr Roger Shaw have been appointed directors of GREENWELL MONTAGU GILT-EDGED, part of Midland Montagu, the investment banking and securities arm of Midland Bank Group.

★

Mr W. A. Baugh, group personnel director of MOLINS, has been appointed a main board director.

★

Mr Paul Burgess has been appointed director of AMRO INTERNATIONAL SECURITIES, a wholly-owned subsidiary of EBC Amro Bank. He will be in charge of equity research, with particular emphasis on the engineering and motor industry sectors. He joins from Albert E. Sharp.

★

London stockbrokers CLASTAIRE AND CO, a member of the Credit Lyonnais Group, has appointed as directors: Mr Alfred C. Webster and Mr Ronald O'Regan. The following have been appointed assistant directors: Mr Phillip S. Arghebant, Mr Michael J. F. Barr, Mr Kenneth P. Clark, Mr Bryan E. Herman, Mr Michael Kenner, Mr Andrew J. Peskin and Mr Nigel C. Shaw.

★

JOHN MOWLEM & COMPANY has appointed Mr John Marshall to its board. He was managing director of Mowlem Management.

★

At LOPEX the company secretary Mr John A. Eales has been appointed to the board.

★

Mr Paul Chambers has been appointed company secretary for the APPLEYARD GROUP. He is also the group's financial controller.

★

Mr A. J. M. (Sandy) Glennie, who for the past nine years has run Volvo Bus (GB), has been appointed to the main board of PLAXTONS (GB) as managing director—Plaxtons Marketing.

★

TSB ENGLAND & WALES has made the following senior appointments: Mr Alex Hunter becomes financial controller, responsible for financial and management accounts. Mr Hunter joins TSB England & Wales from the Royal Bank of Canada where he was area financial controller based in London. Mr John Fenwick becomes direct marketing manager with responsibility for the bank's direct marketing activities, together with the central services unit recently formed to provide financial services through intermediaries. Mr Fenwick was management accounts manager, in charge of financial planning, budgetary control, financial evaluation and management information systems. Mr Roy J. Daniels is appointed financial planning manager. Mr Daniels, who was previously head of asset finance, will take responsibility for financial planning, budgetary control, product and customer profitability and management information systems.

★

Mr Keith Howard has been appointed director, sales and marketing of SDRC ENGINEERING SERVICES and will be responsible for the company's European operations. Since joining SDRC in 1981, Mr Howard has been involved in sales management and business development of both SDRC Engineering Services and its software company SDRC CAE International.

★

C. T. BOWRING & CO has made the following appointments: Mr James Keefe has been appointed a director of Bowring Marine & Energy Insurance Brokers. Mr David Finch, Mr Richard Harding and Mr Michael Jones have become directors of Bowring London. Mr Barry Deacon has been appointed a director of Bowring Wolverhampton and Mr Charles Callum a director of Bowring Members Agency.

★

At MUNICH REINSURANCE COMPANY Mr P. Sharpe has been appointed general manager of the UK non-life branch and a director of Munichre Non-Life Services. Mr Sharpe, who has been deputy general manager for many years, will succeed Mr W. Petzold, who has left the company.

★

Sir Edwin Nixon has been appointed to the board of AMERSHAM INTERNATIONAL as a non-executive director. He is chairman of IBM United Kingdom, a deputy chairman of National Westminster Bank and a director of Royal Insurance.

★

Mr Christopher J. Coombs has been appointed *to the board of* GORDON RUSSELL from September 1. Mr Coombs has been with the group for seven years with responsibility for manufacturing operations at Swindon, and for the integration into the group of the production and manufacturing facility of Gordon Russell at Broadway.

★

Mr K. Davis has taken over as chairman of FAG BEARING CO. Mr Davis retains his responsibilities as joint managing director and will continue to look after the company's financial affairs. Moving up to take over responsibility for sales, as well as technical resources, is Mr D. W. Bausewein who has become joint managing director. The moves follow the retirement of Mr A. B. Mason, the chairman and joint managing director on June 30.

BUSINESS LAW

Arbitration clause as protection against RICO litigation

By Leo Herzel

ONCE again the US Supreme Court has decided in favour of arbitration where one of the parties was desperately trying to avoid an arbitration clause in a contract.* In this instance the plaintiff in a securities fraud and related RICO (Racketeer Influenced and Corrupt Organisations Act 1970), case wanted to litigate in the federal courts instead of arbitrating.

As in almost all the cases the Supreme Court hears it had complete discretion whether to take this one. Considering how many cases compete for the court's attention, an unusually high number of them involve a plaintiff who would like to extricate himself from an arbitration clause. Why does the court choose to hear so many?

No one can be sure of the real reason. But it is highly likely that it is closely related to the intense continuous dispute in America over whether we have too much litigation. Arbitration is one way to put some limit on the American propensity for high-stake litigation. In this case there was also an impotrant special consideration: the need for some restraint on treble damage RICO litigation.†

In October 1984 the plaintiffs in the case filed a complaint in the federal district court in New York City against Shearson American Express and one of its employees. The grievance alleged was fraudulent, excessive trading of the plaintiffs' account and false statements *and omitted facts in connection* with advice given to the plaintiffs.

The laws relied upon by the plaintiffs were Rule 10b-5, a very potent general anti-fraud rule of the Securities and Exchange Commission, and RICO, the federal anti-racketeering law. There were also some state law claims for fraud and breach of fiduciary duty but those were not involved in the Supreme Court opinion.

The difficulty in this case was not federal statutory authority for the enforcement of arbitration agreements. Federal statutory policy in favour of arbitration is quite clear. The Federal Arbitration Act which is more than 50 years old provides that arbitration agreements "shall be valid, irrevocable and enforceable, save upon such grounds as exist at law or in equity for the revocation of any contract."‡

The troublesome problem was whether the arbitration agreement contravened some other important public policies (expressed or implied in the RICO statute and the Securities Exchange Act of 1934) preventing the release, before any controversy, of the right of a plaintiff to resort to the federal courts to enforce these statutes.

The defendants filed a motion to dismiss in the trial court on the ground that the dispute was subject to the arbitration clause. That court decided that the Rule 10b-5 securities fraud case should be arbitrated in accordance with the arbitration clause but that the plaintiffs could not be required to arbitrate the RICO claim because of important federal policies requiring enforcement of RICO by the federal courts.

The Court of Appeals for the 2nd Circuit agreed with the district court that the plaintiffs could not be forced to arbitrate the RICO claim but, contrary to the district court, it also decided that arbitration of the securities fraud claim could not be forced on the plaintiffs.

The Supreme Court completely reversed the Court of Appeals and held that the plaintiffs should be required to arbitrate both claims. On the RICO claim the court's decision was unanimous: "Nothing in RICO's text or legislative history otherwise demonstrates congressional intent to make an exception to the Arbitration *Act for RICO claims.*"

RICO is poorly drafted and it has a tremendously haphazard treble-damage penalty. So far it has been impossible for the federal courts to keep plaintiffs and plaintiffs' lawyers from filing RICO claims against defendants who, before the statute would not have been labelled, even by the wildest imaginations, as racketeers. (Without RICO, whatever faults someone might conjure up against Shearson American Express, racketeering would not be one of them.) Congress, however, despite strong pressures has refused to intervene by amending RICO. In the superheated atmosphere of American litigation, a RICO industry, with its own bargaining power, has grown up.§

A short time ago a divided Supreme Court declined an opportunity to intervene directly and place some limitations on the statute.‖ This unanimous decision makes some amends. Arbitration is clearly a way for the defendants in this case, and other future defendants to avoid the worst risks in the RICO statute. No matter how sympathetic arbitrators might be to the plaintiffs' grievances, it is highly unlikely that they will award treble damages under the RICO statute. This, of course, is not a general solution to the RICO problem. Not everyone can protect himself from RICO with an arbitration clause.

The Supreme Court, however, divided 5-4 on the Rule 10b-5 securities fraud claim. The difficulty was *Wilko v Swan*, a precedent almost exactly on point.** To reach its conclusion that the precedent set by *Wilko v Swan* did not prohibit arbitration in this case, the Supreme Court had either to distinguish the two cases or reverse *Wilko v Swan*. Rather than reverse itself, the majority of the court chose to make a distinction on the ground that since *Wilko v Swan* was decided "the SEC has sufficient statutory authority to ensure that arbitration is adequate to vindicate Exchange Act rights."

Is there good news in all of this for foreign business in America? Put another way, should foreign businesses (and individuals) always strive for arbitration clauses in agreements to avoid expensive risky American litigation? Unfortunately, there is no simple answer to this last question.

Even if arbitration is, on the average, socially and privately advantageous, litigation, in some circumstances, is clearly the best private choice. A broker doing a retail business, like Shearson American Express in this case, is probably, on average, enormously better off with a contract requiring arbitration.

However, there is no sure way of predicting, before a dispute arises, whether a foreigner entering into an important transaction in America would be better off with arbitration. Mr Robert Maxwell, for example, has not been slow in recognising the possible private benefits of litigation during his pursuit of Harcourt Brace Jovanovich. A few highly tentative general guidelines are, however, possible:

1—If you are a buyer of a business, you are likely to be better off with arbitration. Since you are more likely to be the plaintiff, the right to resort to quick, relatively inexpensive arbitration will probably be an advantage.

2—If you are a seller of a business, the opposite is likely to be true. The right to arbitration is likely to increase the buyer's incentive to assert a claim after the transaction has closed.

3—If you are an employee entering into an employment agreement, the speed and relative inexpensiveness of arbitration is highly likely to be advantageous. When an employer and employee fall out, the employer's advantages in litigation are enormous because it benefits from the expense and delay in litigation.

4—In general, if the other party to the agreement is wealthier, more litigious or more ruthless, an arbitration clause is worth thinking about.

However, the other party to the transaction is likely to have quite different ideas about arbitration.

Forms of arbitration clauses widely used in America are inadequate for some situations. Important matters that are usually not covered are: the power of the arbitrators to award attorney's fees to the successful party (a reversal of the American rule in litigation), the payment by the loser of interest at market rates on the award from the date of the injury (not the date of award), and a method for selecting arbitrators instead of relying on the American Arbitration Association rules for that purpose.

** Shearson American Express and Mary-Ann McNulty v Eugene McMahon, et al, No 86-44 C.C.H.Fed SEC Rep, para 93,265 (June 8 1987).*

† The Racketeer Influenced and Corrupt Organisations Act. For a description of the difficulties created by that unfortunate statute see Herzel's A Costly Ricochet in the US (FT, Dec 12 1985).

‡ 9 USC Section 2.

§ Footnote 2 above.

‖ Sedima, SPRL v Imrex 473 US 479 (1985) discussed in FT article referred to in footnote 2.

*** 346 US 427 (1953).*

The author is partner in the Chicago Law Office of Mayer, Brown & Platt.

Arts Week

F	S	Su	M	Tu	W	Th
3	4	5	6	7	8	9

Exhibitions

WEST GERMANY

Stuttgart, Staatsgalerie: British art in the 20th century organised by the Royal Academy of Arts. The work, covering 1910-70 is not well known in Germany. The extensive display of 250 pictures and sculptures from 70 artists includes works by Henry Moore, Ben Nicholson, Francis Bacon and Anthony Caro. It should help to revise the prejudice that British art is provincial and has not been represented in the avant garde. Ends Aug 9.

Kassel: Museum Fridericanum Orangerie: *Documenta 8* 'World exhibition of contemporary arts': paintings sculptures, theatre performances, architecture and design. The Documenta was founded in 1955 by local painter Arnold Bode with Henry Moore, Alexander Calder, Max Ernst and Joan Miro and is an important venue for modern art. This year director Manfred Schneckenburger prsents the works of 150 artists, and for the first time open air sculptures which will be erected in Kassel's city centre. Artists exhibiting include Ian Hamilton Finlay, Javier Mariscal, Robert Morris, Mark Tansey, Alexander Melamid, Eric Fischl, Leon Golub, Robert Longo and Joseph Beuys. There is also a separate exhibition 'The Ideal Museum' where 12 architects present their ideas for Museum construction. Ends Sept 20.

PARIS

French Masters of the 19th and 20th century: From Toulouse-Lautrec's Moulin de la Galette to a rare Gauguin with a landscape of Brittany seen through a luxuriant prism of colours; from a powerful flower composition by Nicolas de Stael to Cezanne's protrait of Madame Cezanne, from a pastel coloured Picasso still life to the most frequently reproduced Degas dancer, the traditional spring exhibition at the Schmitt Gallery can boast not only an exceptionally long list of great names of the period it covers but exceptional quality as well. Galerie Schmit, 396 Rue Saint-Honoré (4260 3636). Closed Sundays and lunch times. Ends July 18.

Medieval Art in Paris: The Abbots of Cluny built their magnificent late gothic town house in the heart of the Latin Quarter on the blackened ruins of roman baths. Now a museum, it houses medieval works of art: goldsmiths' work, carved altar pieces, ivories, fabrics, with two English royal standards embroidered in gold on red velvet. In a rotunda of its own is a set of the Lady and the Unicorn mille fleurs tapestries – an allegory of the five senses, one of the masterpieces of medieval art. Musée de Cluny, Place Paul-Painleve, Metro Odeon. Closed Tuesdays and lunchtimes (432 56200).

LONDON

The Tate Gallery. Turner in the new Clore Gallery: The Turner Bequest, which amounts to nearly 300 oil paintings, finished and unfinished, and a further 19,000 or so watercolours and drawings, has been a source of controversy and dissension ever since it came into the nation's hands more than 130 years ago. Turner had always wished for a gallery to himself which would show all aspects of his work. Whether he would have approved of James Stirling's extension to the Tate as a suitable setting is a nice question. The larger paintings may be hung too low for one who lived in a more ostentatious age, and the tasteful oatmeal Stirling has decreed for the principal galleries is a far cry from the rich plum he is known to have preferred. The vulgar neo-deco of the entrance hall has little to recommend it. But eight rooms for paintings and one for watercolours give room enough, and with the three reserve galleries upstairs, every painting but the few in restoration or on loan is on the wall.

Burlington House, Picadilly: The Summer Exhibition of the Royal Academy has come round again, for the 219th time. Over 1,300 works have been chosen, nearly 300 fewer than last year, from an open submission of over 13,000 – paintings in all media, prints, drawings, sculpture and architectural design. For all its variety and quirkishness, the exhibition is strongly professional: the amateur work which once made it notorious has been more rigorously excluded in recent years and is now all but gone. With their privileged entry of six works apiece, the Academicians and Associates set the standard and the tone. With so big a show as this the visitor must follow his own taste and judgment and work quite hard to see everything properly, but such involvement brings its own rewards, from the work of Elizabeth Blackadder, Olwyn Bowey or Gus Cummins to that of Gillian Ayres, Joe Tilson or John Bellany. (Daily until August 23).

ITALY

Venice: Ca Pesaro: American Art in the 60s from the Ludwig Museum in Cologne: Works by 25 artists, from Liechtenstein to Rauschenberg, Oldenburg, Rosenquist, Warhol, Lewitt, Dine, Stella, Noland and Paolazzi. Ends Aug 2.

Venice: Ala Napoleonica and Museo Correr: 'Matisse and Italy': over 250 works by one of most poetic of 20th century French Painters. The exhibition includes paintings, drawings, and Matisse's entire output of sculpture (75 pieces in all), lent by private and public collections in France and America, and the Musée Matisse in Nice. Pierre Schneider, the organizer, has attempted to show how the works of Italian painters such as Mantegna, Pollaiolo, Giorgione and Veronese may have influenced Matisse. Until October 18.

Rome: Galleria Nazionale d'Arte Moderna (Viale Delle Belle Arti) 'Le Stanze Della Memoria': views of interiors, portraits and conversation pieces from the Praz collection. The catalogue is almost more delectable than the exhibition itself: the delicate oils and watercolours get lost in the austere spaces of the gallery. The nostalgic title refers to a period (1776-1870) when the aristocracy of Europe were united as never before or since, a period for which Mario Praz, anglophile, literary critic, and Professor of English Literature at the University of Rome, had a passion. He recreated with accuracy and affection the atmosphere at his "Casa Della Vita." Palazzo Ricci in Via Giulia. Praz's passion for empie style began when still a child and he was still buying new pieces at the age of 85, a year before he died. It is sad that it proved impossible to buy Palazzo Ricci itself, so that these delightful objects could have been seen in their proper setting. Until September 6.

SPAIN

Madrid, Cy Twombly, American artist living in Rome since 1957 exhibits his Conjuntio Oppositorium: 43 paintings on cloth, 68 on canvas and 20 sculptures dated 1952-86. Palacio de Velazquez and Palacio de Cristal at the Betiro Park. Ends July 30.

Madrid, Fernando Botero. Colombian painter whose imaginative world is a poetic distortion of reality. 100 works on loan by private collectors, museums and artist's funds. Centro de Arte Reina Sofia, Santa Isabel 52. Ends Sept 6.

Madrid, Spanish Pavilion in the international exhibition in Paris, 1937. This show reproduces the space, contents and environment of Spain's contribution to the art world during the Civil War, a means of propaganda by the republican government in search of international aid and support. Some originals, some copies or reproductions include architecture of the pavilion by Lacasa and Sert, Picasso's studies on the Guernica and his Dama Oferente, North American Alexander Calder's Fountain of Mercury, Miro's 'El Payes Catalan en Revolucion' and many more on loan by private collections and museums. Centro de Arte Reina Sofia, Santa Isabel 52. Ends Sept 15.

Madrid, Cubist Picasso, 1907–1920. 132 drawings and paintings inherited by Picasso's granddaughter Marina. Pierre Daix, an expert on Picasso's art, believes that this show contributes to illustrate the richness and variety of artist exploring cubism and highlights his 1907 notebook with sketches on Les Demoiselles d'Avignon. Fundacion Caja de Barcelona, Velazquez 63. Ends July 31.

NEW YORK

Museum of Modern Art: Berlinart 1961-87: An international assortment of 55 artists who worked in Berlin over the past 25 years includes David Hockney, Malcolm Morley and Georg Baselitz. Ends Sept 6.

Guggenheim: The first retrospective of Joan Miro since his death in 1983 includes more than 150 pieces, including paintings objects, collages, ceramics and works on paper that explore the artist's experimental media, methods and primitive inspirations. Ends Aug 23.

Metropolitan Museum: 48 key Impressionist and Post-Impressionist works from the Courtauld Collection tour America, including works by Cézanne, Manet, Renoir, Seurat and Gauguin. Ends June 21.

IBM Gallery: 96 paintings of pre-modern Viennese art from the second half of the nineteenth century includes works by Klimt, Romako and Makart; and 120 drawings show proposed and actual Washington government buildings. Ends July 11.

CHICAGO

Art Institute: 16th century Turkish art that flourished under "The Lawgiver" Sultan Suleyman is displayed in 210 objects including illustrated manuscripts, inlaid woodwork, rugs and the imperial wardrobe. Ends Sept 6.

WASHINGTON

National Gallery: 61 Italian master drawings by Leonardo, Michelangelo and Raphael among others travel for the first time from the Royal Collection in Windsor for this exhibit. Ends July 26.

TOKYO

Kandinsky: 100 works on loan from collections at museums in Munich, Paris, Moscow and New York. National Museum of Modern Art, Kitanomaru, near Takebashi Station. Ends Aug 9. Closed Mondays.

Theatre

LONDON

Antony and Cleopatra (Olivier): Peter Hall's best production for the National Theatre he leaves in 1988 brings this great but notoriously difficult play to thrilling life, with Judi Dench and Anthony Hopkins as battle scarred lovers on the brink of old age. Dench is angry, witty and ultimately moving. Best of the rest at the NT is Michael Gambon giving his finest ever performance as Arthur Miller's doomed longshoreman in A View from the Bridge; Juliet Stevenson in a fine revival of Lorca's Yerma; and David Hare's production of King Lear, Hopkins, a massive gnarled oak, which gathers force and more friends as it continues in the repertoire (928 2252).

Macbeth (Barbican): Jonathan Pryce is a wolfish, blood-curdling Macbeth in Adrian Noble's exciting production for the RSC. It plays in repertoire with Jeremy Irons' inconclusively wimpish Richard II and a rough and tumble modern-dress Romeo and Juliet. Best in the RSC's Barbican Pit is Janet McTeer leading a fine ensemble in Worlds Apart by Cuban playwright Jose Triana.

The Phantom of the Opera (Her Majesty's): Spectacular but emotionally nutritional new musical by Andrew Lloyd Webber emphasising the romance in Leroux's 1911 novel. Happens in a wonderful Paris Opera ambience designed by Maria Bjornson. Hal Prince's alert, affectionate production contains a superb central performance by Michael Crawford. A new, meritorious and palpable hit. (839 2244, CC 379 6131/240 7200).

Starlight Express (Apollo Victoria): Andrew Lloyd Webber's rollerskating folly has 10 minutes of Spielberg movie magic, an exciting first half and a dwindling reliance on indiscriminate rushing around. Disneyland, Star Wars and Cats are all influences. Pastiche score nods towards rock, country and hot gospel. No child is known to have asked for his money back. (834 6184).

42nd Street (Drury Lane): No British equivalent has been found for New York's Jerry Orbach, but David Merrick's tap-dancing extravaganza has been rapturously received. (836 8108).

NEW YORK

Fences (46th Street): August Wilson hit a home-run, this year's Pulitzer Prize, with James Earle Jones taking the powerful lead role of an old baseball player raising a family in an industrial city in the 1950s, trying to improve lot but dogged by his own failings. (221–1211).

All My Sons (John Golden): Richard Kiley has the gratifying part of Joe Keller in Arthur Miller's post-war moral tale of profits versus principle in a nicely dated production from the Long Wharf Theatre. (239 6200).

Cats (Winter Garden): Still a sellout, Trevor Nunn's production of T.S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

A Chorus Line (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

La Cage aux Folles (Palace): With some tuneful Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages, barely, to capture the feel of the sweet and hilarious original between high-kicking and gaudy chorus numbers. (757 2626).

I'm Not Rappaport (Booth): The Tony's best play of 1986 won on the strength of its word-of-mouth popularity for the two oldsters on Central Park benches who bicker uproariously about life past, present and future, with a funny plot to match. (239 6200).

Big River (O'Neill): Roger Miller's music rescues this sedentary version of Huck Finn's adventures down the Mississippi, which walked off with many 1985 Tony awards almost by default. (246 0220).

Les Miserables (Broadway): Led by Colm Wilkinson repeating his West End role as Jean Valjean, the magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama, if not strict adherence to its original source. (239 6200).

Starlight Express (Gershwin): Those who saw the original at the Victoria in London will barely recognise its American incarnation: the skaters do not have to go round the whole theatre but do get good exercise in the spruced-up stage with new bridges and American scenery to distract from the hackneyed pop music and trumped-up *silly* plot. (586 6510).

Me and My Girl (Marquis): Even if the plot turns on ironic mimicry of Pygmalion, this is no classic, with forgettable songs and dated leadenness in a stage full of characters; but it has proved to be a durable Broadway hit with its marvellous lead role for an agile, engaging and deft actor, preferably British. (947 0033).

CHICAGO

Sunday in the Park with George (Goodman): Stephen Sondheim and James Lapine's Pulitzer Prize winning musical based on suppositions about the life of artist and Georges Seurat stars John Herrera as the artist and Paula Scrofano as his lover, Dot, directed by Michael Maggio. Ends Aug 2 (443 3800).

TOKYO

Les Misérables. After London and New York, now Tokyo and the Japanese version of the Tony-award winning musical. The cast was handpicked by the creative team of producer Cameron Mackintosh (from an astounding 11,500 hopefuls), then trained for nine months in a special "ecole" and rehearsed by director John Caird. Costumes, set, sound, lighting have been supervised by the respective original designer flown in from London. Toho's Les Misérables is a triumph. The best production of a Western musical in Japan, it differs little from the original London version. Convincing and moving, this top-quality production shows what can be achieved with proper casting and training. Sponsored by the cosmetics company, Shiseido. Imperial Theatre, near Ginza. (201 7777).

Opera and Ballet

ITALY

Milan: Teatro alle Scala: A memorable revival of Giorgio Strehler's 1981 production of Marriage of Figaro, acclaimed both musically and visually. Riccardo Muti conducts a cast which includes Anne Sofie von Otter, Claudio Desderi, Eugenia Moldoveanu, Patricia Pace and Milena Pauli. The sets are by Ezio Frigerio and the costumes by Franca Squarciapino. Also a new opera by Franco Mannino, Il Principe Felice, conducted by Franco Mannino and directed by Sandro Sequi with sets and costumes by Emanuele Luzzati. The cast includes Patricia Pace, Laura Zannini, Aldo Bramante and Ezio di Cesare. (80.91.26).

Rome: Terme di Caracalla: A new production of Aida by Sulvano Bussotti opens the Rome Opera's 50th summer season. Leona Mitchell sings the title role, and Ermanno Mauro, Radames. Julius Rudel conducts. (46.17.55).

Rome: (Villa Medici Festival): French Academy – Piazza Trinita Dei Monti: The Emile Dubois Company in Daphnis et Chloe, choreography by J. C. Gallotta. (67611).

Verona: Arena di Verona: The 65th Verona Festival opens with La Traviata conducted by Ralf Weikert and directed by Gianfranco de Bosio, with Nelly Mericiou, Jose Carreras and Giorgio Zancanaro. Also, Aida conducted by Donato Renzetti and directed and designed by Pietro Zuffi. The cast includes Maria Chiara, Nicola Martinucci and Fiorenza Cossotto. (23520).

Turin: Parco Rignon: Ballet Gulbenkian with two programmes: works by Kylian, Bruce, Roriz and Wellen-

Continued on Page 15

Cinema/Nigel Andrews

Extensive re-fit for the Bond formula

The Living Daylights directed by John Glen

Raising Arizona directed by Joel and Ethan Coen

Something Wild directed by Jonathan Demme

Paltoquet directed by Michel Deville

Every 10 years or so the James Bond formula-one movie saga screeches to a pit-stop at Pinewood Studios and mechanics rush to change tyres, drivers and other movable parts. This time they have hauled out Roger Moore, placed the grimy goggles on Timothy Dalton and sent the vehicle on its 16th lap with *The Living Daylights*. There are other changes to: a more linear plot and a single heroine (Maryam d'Abo) rather than several. And a new Miss Moneypenny: gone is the long-serving, lovable Lois Maxwell, hitherto the aging spare tyre among the pneumatic Bond women. Now she is replaced by Caroline Bliss, squeaky clean and 30 years younger.

The trouble with this extensive refit is that, an hour out from the pit-stop, the car splutters to a crawl and scarcely makes it to the chequered flag. Early scenes are briskly promising, as we bowl along from the usual pre-credits action sequence taken on two wheels (a truck full of explosives hair-pinning down a Gibraltar road) to the ritual briefing sessions with M, Q and the rest of the British espionage alphabet. Dalton here, though on trial, looks the part. His face has the handsome, chiselled wryness of Connery, with a cheek ready to dimple at the drop of an epigram. The voice is a soft but virile burr. And he wears the black tie and DJ without looking, as George Lazenby did, like a plumber surprised by tickets to a May Ball.

But as the tale proceeds, pitting our hero against a Russian double agent (Jeroen Krabbe), a crooked US arms dealer (Joe Don Baker) and a plot against the West, something appears to be missing.

Or rather two things: the old extravagance and humour. The locations, which used in Bond films to take us on magical mystery tours from Mexico to Mongolia to the Moon, are here demurely confined to Vienna and Tangier, except for a late and dullish thrust into Afghanistan. The main chase sequence is yet another downhill snow race, albeit with hero and heroine using an inventively upturned cello case. And the Bond one-liners—where are they? It is reported that Dalton, seeking to portray a 007 closer to Fleming's original, threw out several of the jokes himself. But a Bond without quips and comic passados is as Samson without his hair. They give the role its head start and cerebral flourish. They implant the idea of a witty British brain ticking away amid the action shenanigans: a central intelligence amid the Central Intelligence. Here one feels that Bond is not so much in control of the hardware and hokum as increasingly a part of it and, finally, engulfed by it.

★

Beyond Bond, of course, heroes engulfed by circumstances can be a source of comedy. *Raising Arizona* and *Something Wild* both turn domestic and emotional certitudes on their head and watch the comic small change fall out of their pockets.

Raising Arizona is written and directed by Joel and Ethan Coen, the brothers whose *Blood Simple* painted a Texas murder thriller in primary colours. They return to the faux-naïf paintbox here. In an Arizona decked out in child's eye hues, an amiably dimwitted ex-con (Nicolas Cage) and his police-woman bride (Holly Hunter) steal one of five quintuplets born to a wealthy furniture tycoon. They cannot have children of their own because, in one of Cage's immortal voice-overs, his wife's "insides were a rocky place where my seed could find no purchase." Soon the child-burglars are making a nest for "Nathan Junior" in their mobile home on the desert's edge. But this part of Arizona being full of cuckoos, in every sense, the nest is soon plundered by a series of odd-balls and hoodlums out for bounty, booty or simply a baby.

The movie is an hilarious study in the solemnity of innocence. Cage is a tousled yokel whose hair is a barometer of his brain — it flies anxiously in all directions; Hunter is a tiny waif wielding a mansize Southern accent; and everyone else is a walking intellectual disaster area trying to better him- or her-self. Much of the dialogue is couched in delicately loony periphrasis. ("We felt the institution no longer had anything to offer us" says an escaped prisoner of his jail.) And even when outright farce enters the film late on — with poor Nathan being constantly mislaid in the middle of a desert road as his competing owners *seize* and counter-*seize* — the Coens follow the classic rule of broad comedy: keep all faces straight, all gags precision-timed and deadpan. The result is a joy of a movie.

Timothy Dalton and Maryam d'Abo in "The Living Daylights"

Jonathan Demme's *Something Wild* begins in near farce, equally deadpan in delivery, and modulates towards high melodrama. Businessman Jeff Daniels is here the *overgrown* baby kidnapped by love-hungry kook Melanie Griffith. She bumps into him outside a café, offers him a lift to his office and then drives him out into the country for a saga of motel afternoons, kinky sex (handcuffs a speciality) and jealous duels for her love with her roughneck ex-boyfriend (Ray Liotta).

The film is like Scorsese's *After Hours* staged in broad daylight. Once again a bewildered yuppy is hauled from his desk-top computer into a world of strange passion. He kisses goodbye, one by one, to his tie, his wallet, his career dreams and his sure foothold in reality. But just when Demme's film seems in danger of cloning Scorsese's, the movie springs surprises and mints ambiguities. Daniels proves to have his "closet rebel" side: he ends up wearing clothes even kookier than Griffiths's and planning even more memorable come-uppances for friends and foes. And Miss Griffths has a no less startling homebody dimension, which extends at one point to donning sweet smiles and a cotton print dress to visit Mama.

Written by one E. Max Froe (a debut script), the plot pulses along, widening its tonal possibilities as it goes. By the end, scatty comedy co-exists with high suspense, a climactic knife attack precedes a poised, ironic romantic coda. As in his best films — *Citizens Band, Melvin and Howard* — Demme can give a movie of many moods a single momentum. He finds the performances to help him do so: not least from newcomer Liotta, whose slow delinquent smiles and flick-knife charms steal almost every scene that is not nailed down.

Michel Deville's *Paltoquet*, last and least of the week's films, is a *jeu d'esprit* with too little *esprit*: a murder whodunnit playing Pirandello-like games with illusion and reality on a giant soundstage masquerading as a French bar. Jeanne Moreau, Michel Piccoli and Fanny Ardant are among the all-star Gauls on cast duty. But I enjoyed the whole thing more when I saw it with diminished understanding, un-subtitled, at last year's Venice Film Festival. Ignorance, when it comes to some foreign movies trading in archly cumbrous dialogue, can be bliss.

Breaking the Code/Comedy

B. A. Young

The transfer of Hugh Whitemore's play has brought with it a new player for Alan Turing. Mr Whitemore has displayed two facets of Turing in a sequence of scenes that move irregularly between the beginning of the second world war and his death in 1954. The facets are the brilliant mathematician who worked at deciphering the Germans' Enigma code, and the compulsive homosexual who made unsuitable friends. John Castle is the new player; neither he nor his author endows the part with any great depth of emotion, and there is not much difference of feeling between Turing discussing the philosophy of mathematics or Turing making not very passionate love to his Manchester pick-up or Turing making a statement to an officer of the CID.

I do not mean by this that the performance is dull nor that the character is uninteresting. But the excitement is in the story and not in the character. Mr Castle shows us an untidy figure with baggy trousers ending several inches above his un-cleaned shoes, who alters little from his days at Sherborne to his suicide at finding the problems of his personality too hard to resolve. This means that the tension that should result from his having declared his "gross indecency" to the police as a factor in the slight theft of money that he has suffered has to be acquired from the lines rather than the acting. Mr Castle's unemotional public-school figure, with the rather unreliable stammer, is hardly able to move us either with higher maths or lower love. Even his suicide is committed without perceptible regret.

The two boy-friends are played by Paul Bigley, as a Manchester nobody, and Dean Winters, whose dialogue is all in Greek, and for my part, etc. Nicholas Selby is Dillwyn Knox, Turing's boss at Bletchley, a good solid performance with nothing in it to suggest that before his happy marriage he had had affairs with Keynes and Strachey. Women are of course kept rather on the margin, but Angela Down is attractive as the disappointed girl-friend and Isabel Dean the proud mother who wears her distress with no loss of dignity. Clifford Williams is the producer.

Herbie Hancock trio/Festival Hall

Ronald Atkins

Herbie Hancock began as a jazz musician of impeccable taste and with the highest credentials. He then sold millions of records leading a funk band and made regular forays into electronics. Throughout, he kept up his jazz piano and recently arranged the music for Round Midnight, in which he also appeared. The success of this film, due in part to jazz riding on the crest of a commercial wave, explains perhaps why Hancock brought an old-fashioned trio to the Festival Hall on Wednesday and drew a full house to hear them perform.

The practice whereby the piano dominates while bass and drums act as faithful retainers has long since given way to more equal relationships. Both Buster Williams on bass and Al Foster at the drums took solos on the opening "Limehouse Blues," while Foster's attack was never less than tigerish, often setting up a fusillade of rim-shots across the beat for several bars. Hancock showed here why he rates so highly. He stretched the harmonies of what is after all a fairly basic tune and continually unearthed something fresh.

Williams, whose measured strumming set him apart from today's more acrobatic soloists, came into his own during "Footprints," Wayne Shorter's bluesy waltz written when he and Hancock were working with Miles Davis. The bassist launched the piece by paraphrasing its counter-melody. After another dashing sequence from Hancock, ending with corrosive treble chords, Williams decided to paraphrase the theme itself, each booming loud and clear.

Perhaps the strangest part of what was hardly a predictable concert was that Hancock played only one of his own tunes. In the event, his choice was predictably "Maiden Voyage"—the most exotic of his early jazz compositions and one that spawned many imitations—rather than more outgoing works from his *Headhunter* days.

The trio closed with one of those "time—no changes" routines perfected during the Miles Davis period, with Hancock again turning the rhythm around at will. As people had been shouting for "Round Midnight" since the start, it was no surprise that he ran gently through the melody as an encore.

Elise Ross/Almeida

Max Loppert

As a pendant to the Almeida Festival's large-scale exploration of Hanns Eisler, Elise Ross (soprano) and Malcolm Wilson (piano) presented in Wednesday's recital the short song cycle *Zeitungsausschnitte* ("Newspaper cuttings") of 1926. Sensational little snippets of gutter journalism are extracted to serve the songs — each no more than a few lines long, held together by a piercingly trenchant sense of political irony and by Eisler's hard-edged absorptions of popular musical idioms. The effect of the whole is out of proportion to that of its subordinate details; this is a protest cycle (is it the rustle of spring, the last song asks, or the start of revolution?), and its message is fiercely yet subtly argued in musical as well as verbal terms.

Miss Ross is an experienced Weill singer (as the concert close her group of four Weill songs, including the ferociously bittersweet "Nannas Lied," was thrown off with a good deal of dramatic authority). She usefully lent that experience to Eisler, for the fresh-faced transatlantic manner can be turned to potently ironic purpose: the warm timbre of the voice likewise (at its most expressive in low and middle ranges, a little unreliable at the top).

It was possible to feel that at times the enactment of the German cabaret style was being worked a little hard—the Eisler songs were done in costume and with props—yet this was always preferable to the hand-me-down mimickings of Lotte Lenya that still sometimes pass for authenticity in this field. And there was no doubting the intelligence or the firm grasp on the material.

In the first half, the American style of facing an audience head-on proved even more pertinent to the music on offer. Miss Ross and her violinist sister Jacqueline combined with Mr Wilson in four of the broader Ives songs, each a model of how to do it (the manner is trickier than British Ives singers often imagine). Later, with piano, the soprano sang Barber's little masterpiece *Knoxville: Summer of 1915*—not perhaps with ideal floating of Barber's beautifully shaped phrases, but with a touching command of his knife-edge balance between folksiness and sophistication. And in between, the Ives Second Sonata for violin and piano had an equivalently stylish reading—the homespun Ives and the innovative Ives were expertly cross-cut.

Edward III/Theatr Clwyd, Mold

Martin Hoyle

Published in 1596, *Edward III* resembles *Henry V* in its doughty patriotism. If it lacks the extra dimension that Shakespeare brings to his warrior king and his multi-layered society, the writing is fluent, economical, resonant and rhythmically more capable than, for example, Marlowe: the work of an accomplished craftsman at the very least.

Toby Robertson's production in North Wales boldly underlines the attribution to Shakespeare (the play will run in repertoire with *Henry V*) and even makes two characters chime in simultaneously with the line "Lilies that fester smell far worse than weeds" both to remind us of the Shakespearian coincidence and hint that the sentiment might be a popular old saw.

The play deals equally with Edward and his eldest son, the Black Prince. The action, somewhat telescoped, centres on the early victories of the Hundred Years War, with time out for Edward's lust for the Countess of Salisbury (a plucky mocker of the Scots as well as, rather pre-eminently, a garter-dropper). As with all traditional beleaguered virtue, the Countess's fidelity and appeal to familial values shame Edward into mastery of "this little kingdom of myself."

Honour, duty, obligation—all are constant themes. The guttural grunting and stave-clashing that accompany the battle scenes recall the strictly coded martial arts of the Samurai. The costumes (Judith Dolan) combine elements of riot police, American football and the Droogs from *Clockwork Orange*, with their wide shoulders, plastic visors and codpieces that bear a slightly optimistic resemblance to human anatomy.

Sean Cavanagh's set, on a newly extended stage, is dominated by a mobile tower of scaffolding, a siege engine that can do duty as ramparts. Ian McCulloch displays a slight caution in the title-role, as if not quite sure how the character hangs together. Good at ferocity, he could explore the gentler side to advantage—Edward became one of the great figures of European chivalry, after all, even if he did ruin a number of Italian banking houses in the process.

Annabel Leventon's firm Countess convinces in virtues both military and matrimonial. Gerald James is a strong Warwick and a gallant old King of Bohemia, historically blind and led into battle to strike a last blow, here pushed on in a bath-chair. Mark Buffery, Marc Culwick and Richard Clifford stand out in multiple roles in a strong cast. Zoe Hicks deserves a prize for sporting the year's ugliest costume: a sombre maternity-smock and bovver boots during what appears to be a 16-year pregnancy, a gestation period more apt to pachyderms than Plantagenets. This brave enterprise in a civil cultural centre in rolling green countryside visits Taormina later in the year. It seems strange that London should have seen the vastly inferior crypto-Shakespearean *Edmund Ironside* while being denied *Edward III*.

LCDT/Elizabeth Hall

Clement Crisp

As part of the André Previn Selection season on the South Bank, London Contemporary Dance Theatre is to spend the rest of this week in the glum environment of the Queen Elizabeth Hall. Though the stage area is adequate for dancing, theatrical ambiance exists not at all, and the temporary wings behind which the dancers lurk and the naked decor of the hall itself are off-putters of the most insidious kind.

Nevertheless, the dancers labour mightily to convince us that things are better than they seem, and need to battle thus in the first of two novelties on the programme. This is Robert North's *Fabrications*, in which costumes are the excuse for choreography.

The inspiration of the piece came from drawings by Elizabeth Emanuel, says the programme. What we see is a dress parade of dubiously effective outfits — leotards covered in newsprint; terrorist gear of jump-suits, bandoliers and balaclavas; mock Kabuki dress; zebra-striped fights, and more besides—whose appearance occasions predictable little dance scenes. The piece is thinly choreographed to a thinly confected score by Simon Rogers. It is trumpery, and inexplicable in a repertory that needs dance works to challenge the exceptional talents of an important troupe.

The season, which began on Wednesday, also brings the first London showing of Robert Cohan's *Video-Life* on which I reported during LCDT's visit to Oxford earlier this year. It is Cohan's protest at what he sees as the brutalising effect of television news and its supposed quest for violence.

It is worthy, performed with entire commitment by its cast —Patrick Harding—Irmer a dominant figure as an observer who is also the saviour of society—and given a cutting edge of tension by Cohan's sense of theatre and by Barry Guy's ability to make the double bass seem the voice of both anguish and hope, as he plays his own bravura score.

American colorists/St. John's, Smith Sq.

Dominic Gill

Programme planners anxious to find a new peg on which to hang their ideas seize happily on the least opportunity to suggest cross-fertilisation between the arts. There has already been a Le Corbusier concert series on the South Bank (would that a single one of Corbusier's designs had the energy and visionary force of a musical work by Xenakis). And now we have a concert, played on Wednesday night by the Endymion Ensemble under the American composer Daniel Asia and presented "in association with the Tate Gallery for its Mark Rothko Exhibition," in whose programme book Mr Asia suggests that the "sensation produced by Morton Feldman's *I met Heine on the rue Furstenberg* is similar to that of sitting in the Rothko Room at the Tate Gallery."

I suggest to Mr Asia straight away that the two sensations are wholly and entirely and utterly different: and that he is a charlatan for trying (under the guise of artistic "synthesis") to pretend otherwise. At any rate, his concert, as concerts go, was a fairly decent one—although it would have made a pretty dumb painting. He offered a strong and well organised account of Varèse's evergreen and ever brilliantly effective *Octandre* (although if listening to Feldman is like looking at Rothko, then *Octandre* patently has nothing whatsoever to do with Rothko at all).

We also heard not one, but two, performances of Earle Browne's *Event-Synergy II* — presumably to demonstrate just how different such free-form "open scores" can sound in different performances. Very earnest (just a hint of tongue-in-cheek?); very Sixties. Linda Hurst announced just before her performance in Mr Asia's own *Sand II* (did *Sand I* go the same way as *Event-Synergy I*?) that her voice was not well; but it sounded rather good to me, wisely amplified, expressive and husky. The piece itself was less well, at 20 minutes far too long (Mr Asia's word would be "extended"), a long sequence of tolerable cliche devised around a selection of terrible poems by Gary Snyder. Who gave permission for Mr Asia to introduce his own work into such otherwise (relatively) exalted company?

Continued from Page 14

Arts Week

kamp. (The festival lasts 25 days, and is offering 16 different programmes by 13 foreign companies). (54.45.62/55.76.246).

BRUSSELS

Théâtre Royale Monnaie (218 1211): Falstaff conducted by Sylvain Cambreling with Jose van Dam, William Stone, Laurenze Dale and Barbara Madra.

SPAIN

Barcelona, Grec 87 Japanese company Sankai Juku's Unetsu, music by Yasukazu Sato and choreography by Ushio Amagatsu at Teatre Grec, Mont Juic. Also Spanish group Ananda Dansa's Cronica Civil (V-36/39) using the technique of ballet and lights, shows a child's vision of Spanish post Civil War at Casa de la Caritat, Montalegre 5.

Granada Festival offers Spain's Ballet Nacional: Paco de Lucia's Los Tarantos choreography by Felipe Sanchez and Manuel de Falla's popular El Sombrero de tres Picos choreographied by Jose Antonio with original costumes designed by Picasso. All in the most extraordinary setting, the Alhambra's generalife gardens.

Madrid, Gounod's Romeo et Juliette stars Spanish cast: Ana Maria Gonzalez, Ascension Gonzalez, Ifigenia Sanchez and top tenor Alfredo Kraus. Teatro de la Zarzuela, Jovellanos 4.

NEW YORK

New York City Opera: The season opens with a week of The Student Prince with Jon Garrison in the title role, Leigh Munro and Brian Steele, conducted by Paul Gemignani directed by Jack Hofsis. Lincoln Center (870 5570).

TOKYO

Stanislavsky and Nemirovich-Danchenko Moscow Musical Theatre Ballet: La Sylphide and Cayan. Hitomi Memorial Hall, Showa Women's College, Saggenjaya. (Thur). (265 6361).

José Miguel and Flamenco Dancers: Asahi Hall, Yurakucho, near Ginza. (Mon, Tue, Wed). (475 5220).

Carmen by Nikikai Opera Company. Shinjuku Bunka Centre. (Tue, Wed, Thur). (370 6441).

LONDON

Coliseum: London Festival Ballet opens a season on Tuesday with Nureyev's Romeo and Juliet. (836 3161).

WEST GERMANY

Berlin, Deutsche Oper: Madame Butterfly with Catherine Malfitano, Kaja Borris, Peter Dvorsky and Andreas Schmidt closes the season. (34 381).

München, Bayerische Staatsoper: Munich's annual opera festival runs from July 6 to 31 at the Munich Bayerische Staatsoper. The first week of performances opens with the new Giorgio Strehler production of Falstaff, conducted by Lorin Maazel. The cast includes Pamela Coburn, Brigitte Fassbaender, Juan Pons and Claes D. Ansjö. Also offered Das Rheingold and Die Walküre, both in Nikolaus Lehnhoff's disputed productions, with Cheryl Studer, Hildegard Behrens, Nadine Secunde, Marjana Lipovsek, Hanna Schwarz, Kurt Moll and Robert Schunk. Turandot, produced by Jean Pierre Ponnelle and conducted by Guiseppe Patané, stars Ghena Dimitrova, Mirella Freni, Jan Hendrik Rootering and Friedrich Lenz. (21 851).

Music

LONDON

London Philharmonic Choir and Guildford Philharmonic Orchestra conducted by Richard Cooke. Holst, Vaughan Williams, Orff. Royal Festival Hall (Mon). (928 3191).

Music of the Royal Courts: Musicians from Mali. Queen Elizabeth Hall (Mon). (928 3191).

London Virtuosi: Handel, Vivaldi, Bach, Mozart. Mansion House, EC4. (Mon). (236 2801).

Philharmonia Orchestra conducted by Giuseppe Sinopoli with Salvatore Accardo, violin and Lynn Harrell, cello. Brahms. Royal Festival Hall (Tue).

Music of the Royal Courts: Musicians from Ethiopia.

Medici String Quartet: Haydn, Debussy and Schubert. Painters Hall, Little Trinity Lane, EC4. (Tue). (236 2801).

Royal Philharmonic Orchestra conducted by Paavo Berglund with Xue Wei, violin. Strauss, Sibelius and Beethoven. Barbican Hall (Wed). (638 8891).

London Mozart Players, London Choral Society and Pro Musica Chorus of London conducted by Jane Glover. Beethoven Missa Solemnis. Royal Festival Hall (Wed).

Music of the Royal Courts: Thailand. Queen Elizabeth Hall (Wed).

PARIS

Paul Kuentz choir and Orchestra, Eric Aubier, trumpet: Tartini, Vivaldi, Telemann, Perti, Bach (Tue). Saint-Severin Church (456 37955).

Philippe Bianconi, piano: Brahms, Ravel, Liszt (Thur 8.30pm). Musée d'Orsay (454 94814 ext 4389.

ITALY

Spoleto: (30th festival of two worlds): Teatro caio Melisso: noontime chamber concerts every day of the festival.

Rome: Accademia di Francia (Piazza Trinita dei Monti) (Villa Medici Festival): Ex-Novo Ensemble conducted by Ambrosini with works by Jolas, Singier, Hurel, Girsey and Manoury (Wed). (67 611).

NEW YORK

Tanglewood: The King's Singers range over the renaissance to Jerome Kern (Thur). Lenox, Mass (413 637 1666).

WASHINGTON

Wolf Trap: New England Ragtime Ensemble (Mon). Vienna, Va. (703 255 1868).

CHICAGO

Ravinia Festival: Kathleen Battle soprano recital with James Levine. Purcell, Schubert, R. Strauss, Liszt (Tue); Andre Watts piano recital. All-Mozart programme (Wed); Hermann Prey baritone recital with James Levine. All-Schubert programme (Thur). Highland Park (728 4642).

TOKYO

Dame Kiri Te Kanawa. Song recital of works by Haydn, Handel, Mozart, Verdi, Puccini. Suntory Hall. (Mon) (293 1951).

New Japan Philharmonic Orchestra, conducted by Helmut Wolf. Britten's Requiem, Yukie Okura, soprano; Addbert Kraus, tenor; Hidenori Komatsu, bass. Tokyo Bunka Kaikan. (Mon). (985 4836-237 9990).

Mario Brunello, cello with Valery Afanassiev, piano. Schubert, Brahms, Rossini. Tokyo Bunka Kaikan Recital Hall. (Tue) (505 5222).

Valery Afanassiev, piano. Beethoven and G. Crumb. Sogetsu Hall, Aoyama Itchome. Tokyo Summer Music Festival. (Wed) (505 5222).

Sofia Solisten Chamber Orchestra. Bach, Mozart, Respighi, Boccherini, Haydn, Schubert. Tokyo Bunka Kaikan Recital Hall (Thurs) (402 1290).

Saleroom/Antony Thorncroft

Modern artists are tops

Perhaps the most extraordinary sale in a frenzied week in the salerooms took place at Sotheby's yesterday when post-war and contemporary art totalled £5,344,130, with 7.8 per cent unsold. This has always been among the most difficult of the art markets, and yet Sotheby's managed a record total for the sector in London, with only 7.8 per cent unsold.

Sixteen artists set new auction records, including Yves Klein whose IKB 74, a 1958 canvas of blue pigment in synthetic resin on fabric laid down on panel, the apotheosis of simplistic modern art, sold for £638,000. Two studies for a portrait by Francis Bacon sold for £275,000 and "Corps d'homme nu" by Dubuffet realised £192,500.

Another record was the £187,000 paidf or "Untitled," an abstract by Constant. Lucio Fontana established a record price twice, £154,000 being paid for one of his typically slashed canvasses, entitled "Concetto spaziale," and the same for a similarly entitled picture embroidered with holes rather than cuts.

Among the British artists to record new highs were Lucian Freud whose "Adventure playground," an oil of 1974, sold for £63,800, and Frank Auerbach, with a price of £61,600 for "Head of E.O.W.IV," painted in 1967.

Just the prove these prices were not abberrations Sotheby's achieved a remarkable total of £1,330,850 for the charity auction it held on behalf of the Whitechapel Gallery in the East End on Wednesday night. It was a record for a charity auction, and included artist records of £15,000 for "Mother and Child" by Ceri Richards, and £32,000 for "Blue" by Sean Scully. Top price was the record £300,000 paid for "Die Sefiroth" by Anselm Kiefer.

"The Spectator" by Howard Hodgkin also set a record, of £155,000. A copy of a very rare and early lithograph, in four colours, by Kirchner, entitled "*Russiches Tanzepaar*" sold for £165,000 at Christie's yesterday in a modern print auction. It was a record for a print by this artist, went way above forecast, and was bought by a German collector. The auction did well, bringing in £811,910, with 13 per cent unsold.

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BRACKEN HOUSE, CANNON STREET, LONDON EC4P 4BY
Telegrams: Finantimo, London PS4. Telex: 8954871
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The penalty for insiders

THE PURPOSE of justice in criminal cases is both to mete out appropriate punishment to the offender and to deter others through example. Much concern has been expressed in the wake of the trial this week of Mr Geoffrey Collier, who admitted to profiting from inside information while in a senior position at the Morgan Grenfell merchant bank, that these purposes were not fully served. Mr Collier was sentenced to 12 months' imprisonment, but this was suspended for two years, which means he will not go to jail unless he commits a further offence in that time. In addition he was fined £25,000 and told to pay £7,000 of the prosecution's costs.

The judge had the option under the Company Securities (Insider Dealing) Act of 1985 of imprisoning him for up to two years on each of the two charges on which he pleaded guilty. But he accepted the defence's arguments that Mr Collier had suffered grevously since admitting his crimes last November, and that his career prospects were ruined. Also, 60 prominent people from the world of international finance wrote letters praising his integrity.

Broader issues

It is always difficult in cases such as this to separate the individual merits from the broader public issues, specially since he came to trial at a time of unprecedented publicity about crime and scandal in the City, and could easily have been forced into the role of scapegoat for the financial community at large. However on both the particular and broader levels there are grounds for saying that he should have been treated more severely.

The evidence showed that the particular deal which trapped him — when he traded on inside information in the AE takeover — was not an isolated case but part of a carefully devised scheme by himself and an American associate to profit from many takeovers and salt away the proceeds in a Caribbean offshore company. Furthermore, he occupied a highly responsible position in one of the City's leading merchant banks which had instituted a new compliance system of whose penalties he was aware. Quite clearly he intended to abuse that position and systematically did so.

That in itself may not be sufficient to justify sending him to jail. But for people like himself whose business is to deal in money and who possess large amounts of it (his personal worth was stated to be £700,000) a fine will clearly not have the same impact as a non-suspended jail sentence. One seldom hears the argument made in court that petty thieves have suffered enough and have no career prospects before they are committed to prison for offences involving smaller sums than Mr Collier's, and it is regrettable that this sentence has reinforced the impression that white collar crime is more lightly punished.

Public concern

But is is at the broader level of public concern that the Collier affair demanded a more satisfactory conclusion, because it cannot be separated from its context. It remains to be seen how much of a deterrent his fate will be to others who face similar temptations, but the more cynical among them might now think in terms of a trade-off between insider profits and the likely fines if they get caught. This calculation would become irrelevant if they faced a certain term in jail.

Mr Collier's was also an exemplary case: it came when the City was undergoing major upheavals because of the Big Bang. This raised many issues of regulation, proper conduct and probity in London which has aspirations to be the world's leading financial centre. It was also the first successful prosecution to have been brought under the new insider dealing law where evidence of wrongdoing is notoriously difficult to assemble. It was obviously Mr Collier's personal misfortune that he happened to be the first insider dealer to be convicted at this time. But much of the credibility of the City's efforts to improve its behaviour rests on the premise that wrongdoers will be firmly dealt with, and that premise has not been strengthened in this case.

Elusive peace in Central America

ONLY A hardened optimist would now give an even chance of success for the Central American peace plan elaborated by President Oscar Arias of Costa Rica. Leaders of the five Central American countries should have held a summit last week. Its postponement, even if a new date has been tentatively fixed for August, has dealt a near fatal blow to the plan's credibility.

Behind the postponement lie the suspicions and differences which have dogged all previous efforts at resolving the conflict in Central America. Since the Contadora initiative was launched in 1983 by Colombia, Mexico, Panama and Venezuela, the problem for any peace proposal has been the posture of the Reagan Administration towards the Marxist-oriented Sandinista Government in Nicaragua.

President Reagan and his advisors regard the existence of the Sandinistas as a destabilising influence in Central America which could give a foothold to the Soviets in the region and spread revolution. The White House has always distrusted a diplomatic solution as giving legitimacy to the Sandinistas. The emphasis has been on backing the anti-Sandinista Contra rebels to fight a war by proxy, backed by military maneouvres in neighbouring Honduras and a tough economic embargo on Nicaragua itself.

Military operations

President Reagan can claim that he has brought the Nicaraguan economy to its knees and prevented the Sandinistas from exercising influence on the guerrilla wars in El Salvador and Guatemala. But the debit side is considerable. This is a high risk venture that has led to deeper US involvement in Central America and a growing militarisation of the region.

The Contras are not doing well: their leadership is divided, after seven years their military operations are still confined to the countryside, they rely on Honduras for a safe base, and they are dependent upon the US for funding and logistical support. The Sandinistas' resolve appears to have been strengthened.

The shine has certainly gone off the Sandinista Revolution and it has lost favour internationally; but the European and Latin American allies of the US are uneasy about the exclusive emphasis on the Contra option and the lack of interest in a diplomatic solution. This is especially the case now the Soviet leadership appears unwilling to overstretch its prestige and resources in propping up the Sandinistas, and is encouraging the Contadora Group and its Latin American supporters to provide more aid.

President Reagan cannot afford to ignore his domestic critics even if he brushes aside international concerns about US Central American policy. The flaw in his Contra opion is that it entails a long term commitment to a low intensity conflict which involves a yearly tussle with Congress over funding. The bruising he and his advisors are receiving from the revelations of the Irangate hearings cast considerable doubt over future Congressional support.

Coherent alternative

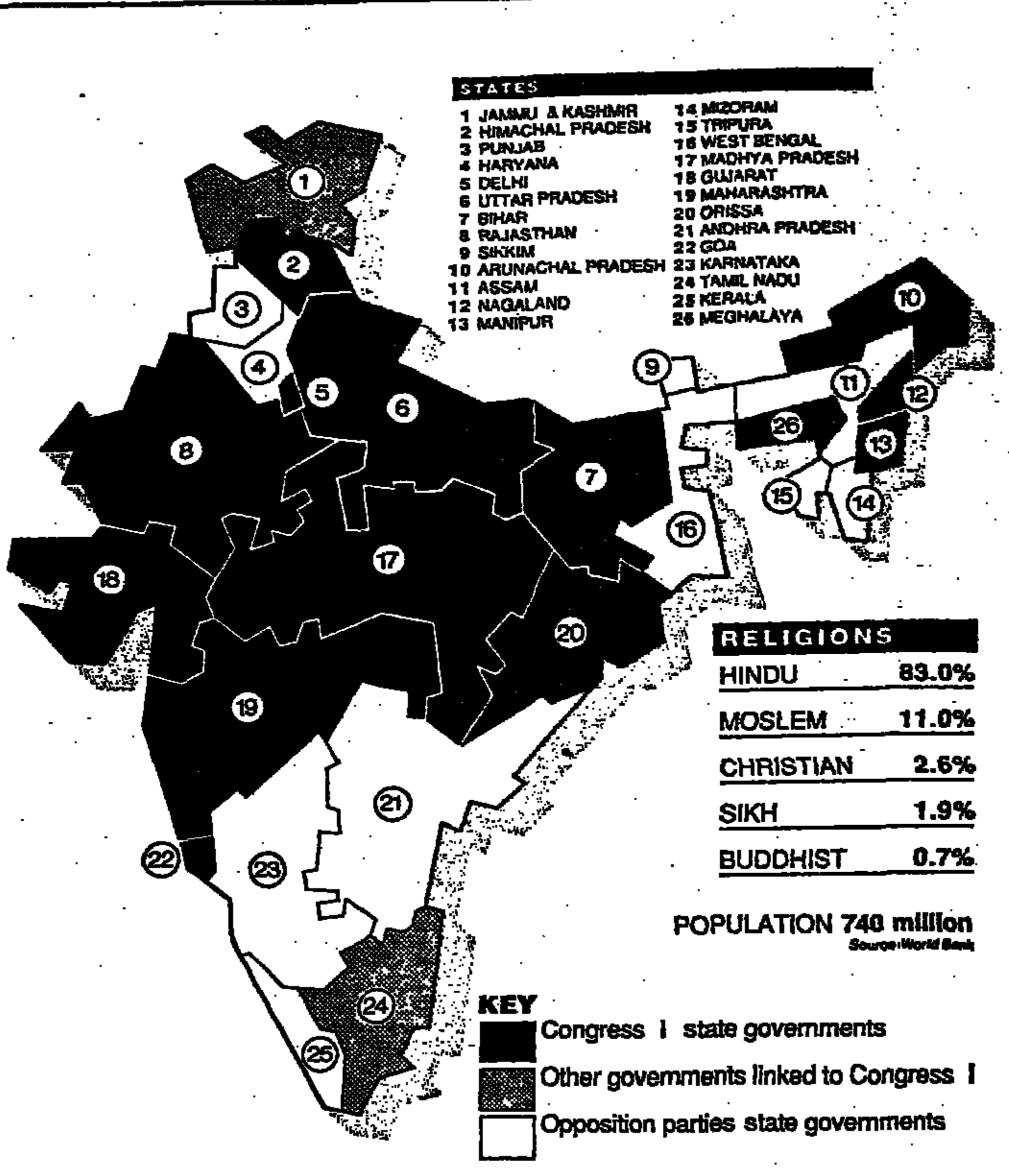
The Contras have no life support system other than these funds and would wither without them. If Congress denies the fresh funding request in September, President Reagan could be in the uncomfortable position of either seeking to raise the stakes against Nicaragua or accepting negotiations which could be seen under these circumstances as a sort of victory for the Sandinistas.

The Arias plan is probably too ambitious in trying to bring about peace not just in Nicaragua but also in El Salvador and Guatemala at the same time; but it has the merit of being honestly proposed by the representative of a genuine democracy and a country with a long tradition of friendship with the US. In giving the plan a cold shoulder, President Reagan has unwisely narrowed his options for an honourable solution to the problem.

The blame is not all President Reagan's. The Democrats have failed to come up with a coherent alternative policy: it is not clear whether they believe the Soviet threa tis real or the Soviet threat is real or Sandinista Nicaragua. But it would be in everyone's interest if diplomacy were kept alive. The alternative is continued conflict in the poorest region of Latin America with unpredictable and costly consequences.

Regional and sectarian tensions are causing problems for Rajiv Gandhi, **John Elliott** reports

Riding the tiger with many heads



SUDDENLY the traffic on New Delhi's central leafy avenues is silenced. Police whistles screech, scooter riders are halted by the flailing arms and swinging truncheons of the law. Commandos finger their sten guns.

A few minutes later a Suzuki police jeep and a crowd of old Morris Oxford-style cars rush past. They are huddled protectively round Mr Rajiv Gandhi, the young Prime Minister of the world's largest democracy.

Increasingly beleagured by political crises and defeats, as well as by assassination threats from Sikh separatists, Mr Gandhi often drives his own vehicles—a white Range Rover or a silver grey Mercedes donated by King Hussein of Jordan — to the consternation of his escorts. "Why?" he was asked recently. "Because I drive better than all the drivers," was his characteristic reply.

In a country of indisciplined drivers who believe in slow, chaotic progress based on loud hooters and low revs, Mr Gandhi may well be right. The problem is that he has tried to apply the same "I-know-best" approach to driving his country out of its noisy, low-revving, corrupt economic and political lethargy — and has come unstuck.

At the end of last month he received the rudest shock of his short prime ministerial career, when India's growing political regionalism, fed by his own inadequacies as a political manager and vote catcher, combined to deliver his Congress I Party a humiliating defeat in assembly elections for the northern state of Haryana.

There have been other recent signs that the Prime Minister has lost his grip on the levers of power. The failure of his attempts to end the Sikhs' Punjab crisis brought terrorist attacks to people's homes in Delhi. Then there was the rough assertion of India's hegemony over Sri Lanka, partly because of regional sensitivities in the southern Indian state of Tamil Nadu, and the violent deaths arising from communal and caste tensions in the northern states of Uttar Pradesh and Bihar.

It has begun to look to some people as if Mr Ghandhi is presiding over a fragmentation process feared sinc independence.

Less gloomily, others wonder whether Rajiv is proving unlike his mother and grandfather, unequal to the task of governing this turbulent and complex country.

It is possible to reject, more or less unequivocally, the judgment that India is breaking up. True, the extremes of Sikh terrorism emanating from the Punjab crisis could point to a dangerous spiral. But it is too easy to forget other, even more deeply rooted, Indian characteristics: the lack of revolutionary fervour, and the Hindu religion which soaks up, as part of daily life, political turmoil, sudden upsurges of violence, and large-scale ugly death.

There is also a cohesion among the country's major states and a proud, stubborn, sometimes paranoid, determination to prove that Hindus can rule a united country, after generations of being conquered and governed by the Moslem Moghuls and then the British.

The answer to the second question, about Mr Gandhi's failings, is less sure. He has not performed well enough since he became Prime Minister two-and-a-half years ago to withstand a well-organised challenger to his authority, but so far no one significant enough has emerged. His MPs and party stalwarts continue to rally round him precisely because they cannot yet see a better potential election winner to get them elected to personal power and prestige.

Party stalwarts rally round Mr Gandhi because they cannot yet see a better election winner

But the Prime Minister's weaknesses still demand attention. He has over estimated the importance of his parentage and patronage, and has failed to organise a supportive political base or any democratic structures within his Congress I Party. He has let political dissidents mushroom and link up with vested business and bureaucratic interests who are upset by his reforming policies.

He has destabilised three major ministeries—finance, external affairs and defence—by tactless handling of ministers and top civil servants. He has held the finance portfolio himself for most of this year, but has failed to make any impact. His apparent lack of interest in following policies through means there is often a vacuum in decision-making, with top bureaucrats and ministers wary of taking initiatives in case they upset him.

Despite these difficulties, Mr Gandhi remains a man with a vision of a better India free of its stifling government controls, bureaucratic corruption, infrastructure and consumer goods shortages and high-priced poor quality products. His vision includes improved economic and employment growth, and an end to the increasing use of personal power by people who thrive on restrictions and shortages.

It seems, however, that he does not have the skill to manage day-to-day politics, let alone the complications of change in a country where every economic improvement enrages vested interests and helps spark economic discontent which in turn fuels communal, ethnic, and religious disturbances. That ultimately is what lies behind separatist movements like that of the Sikhs.

Although there are always immediate causes for India's communal, caste, and territorial disturbances, they can usually be traced back to economic development, which inevitably does not benefit everyone equally. But they are being exacerbated by Mr Gandhi's faster pace of economic change and by the inbuilt impetus of an expanding consumer society which now embraces up to 200m of India's 740m population.

Almost all India's worst disturbances occur in the most prosperous areas, ranging from the green revolution state of Punjab to the expanding regions of western Uttar Pradesh, and the state of Maharashtra around Bombay.

Glaring gaps are not only widened by economic growth between the wealthy and the poor. New disparities between adjacent economic groups emerge. The people who feel left behind, like the Sikh youths of Punjab, are easy recruits for extremist leaders. Long-established centres of power and authority, often based on religion and caste, are upset in India's 600,000 villages and urban centres.

The result can be catastrophic when post-independence Hindu-Moslem patterns are upset. Those Moslems who did not go to Pakistan have been regarded as secondary to the dominant Hindus. Now a new generation of Moslems wants a better deal, which younger identity-conscious Hindus are unlikely to welcome. Such tensions caused 70 deaths in riots last month in Meerut, Uttar Pradesh.

Violent caste clashes emerge when economic order is disrupted, as was seen in Bihar where 41 people were massacred in a feud between landlords and the rural poor five weeks ago.

Ever since the British left in 1947, India has survived these tensions, which tend to become worse in the hot summer months, coinciding with the Moslem fast of Ramadan when tempers are taut. Mrs Gandhi let communal and other disturbances run their course, often pleading the fashionable theory that India was almost ungovernable, and apparently confident that the troubles would eventually fade away after enough blood had been spilt.

It was in the Punjab that things went most wrong. In the late 1970s she and her highly political son, the late Sanjay Gandhi, Rajiv's younger brother, encouraged Jarnail Singh Bhindranwale. A young Sikh preacher, to break the power of the Sikhs' main Akali Dal political party. They unwittingly created an arch-extremist whose activities eventually led to Mrs Gandhi's assassination and to escalating terrorism, which Mr Gandhi has been unable to stop.

This has been followed by the devolutionary or separatist demands of the Sikhs in the Punjab, the Tamils in Sri Lanka, and the Gurkhas in north-east India.

Although linked in some cases with growing religious fundamentalism, these groups' territorial demands are often linguistically based. In Sri Lanka it is the Tamil speakers who want a homeland, embracing both Hindus and Christians.

The Punjab is itself the result of a linguistic split 21 years ago when its Punjabi-speaking areas were separated from Haryana, a new Hindi-speaking state. Now the Sikhs are more narrowly focusing on religion and want to turn Punjab into a Sikhs-only state called Khalistan.

In north-east India Mr Gandhi inherited unsolved separatist movements, insurgencies, and rows over statehoods in places such as Assam, Mizoram, Nagaland and Sikkim. He has achieved controversial settlements in them all, believing it best to buy off—or release—regional forces by letting them win responsibility for running their states. The same formula was applied to Punjab, and a regional-based party has also come to power with Mr Gandhi's backing, in the sensitive northern state of Jammu and Kashmir, whose territory is disputed with Pakistan.

How well this formula will work in the long term is not clear. It is certainly a more constructive approach than Mrs Gandhi's. So far it has only failed in the Punjab. There the Sikh Akali Dal Government won an election in 1985 with Mr Gandhi's approval, but was not strong enough to cope with the extremes of social unrest, terrorism and political intrigue. It was suspended last month with the introduction of President's rule from Delhi.

Mr Gandhi's approach to regional issues has weakened his Congress I Party, whose local activists resent his handing over of power and prestige to their opponents. The resentment is greater because in recent years, Congress I had already lost the south Indian states of Karnataka and Andhra Pradesh to regionally based parties. It only has a hold over Tamil Nadu because of a link with the regional party in power there. Despite major personal campaigns by Mr Gandhi, Congress I lost the southern state of Kerala and the north-eastern state of West Bengal earlier this year.

It was against this background that Congress I's rout in Haryana was so devastating. A Hindu state next to Punjab, on the edge of the Hindi-speaking belt of northern central India, it was considered by Congress I as its heartland.

But these regional electoral developments hardly presage any imminent break-up of the country. Mr Gandhi has helped defuse what a few years ago looked like a constitutional time bomb by abandoning his mother's confrontational approach to centre-state relations. And no one preaching separatism has been elected to power in the states. What the states all want however is more devolution of economic and other power, which Congress I is unwilling to concede.

Mr Gandhi, despite all his problems and faults, cannot be blamed for India's communal and regional turbulence. He could, and should, have done better on the Punjab where he threw away the initiative early last year. The problem there, as in many other areas of his administration, was a lack of clear prime ministerial direction, delegation and follow-through. It is now to be seen whether he was right when he claimed in a magazine interview recently: "I am much wiser."

Men and Matters

Every one a winner

The US presidential tipping season formally opened this week with a televised confrontation between the Democratic Party's declared runners — the seven dwarfs, as they are known.

London, however, had the benefit of a stable tip, just before the show, from Jude Wanninski, the former journalist who launched the fashion for supply side economics, and became a very successful economic consultant for his pains.

Apart from supplying forecasts and re-writing a book, Wanninski holds an annual supply side think-in for politicians at Boca Raton — and he is sure that his graduates are going to run the US for years to come.

His personal tip to win the nomination and the election is Jack Kemp, the Adonis of the Republican right. But he has several bankers in reserve. If President Reagan should decide to make way for his colourless Vice President before his term is over, Bush's first act would be to nominate Kemp as his v-p, just to immobilise him.

"Kemp would run policy" says his tutor, "because he has things he wants to do, while Bush just wants the White House."

And what if the Democrats make a strong run? The only candidates who would have a hope of beating Kemp, he says, are Bill Bradley and Mario Cuomo. Both are declared non-runners, but both might be drafted; and both, of course, are Boca Raton regulars.

Wanninski's happiest thought: one of them will succeed Kemp two terms out, and then perhaps pass the Wanninski torch to the other, which would give their tutor up to 24 straight years as the thinker behind the throne.

"Don't worry about the charge of insider trading—it's this one of riding a bike without lights."

Put to flight

A sharp poke in the eye has been delivered by a tiny Brighton-based gift making company to the Japanese giant, Sony, which pinched its design for flying ducks.

The battle between the two companies started late last year when Into Design's marketing director, Colin Watts, discovered that Sony was using the design in a promotions campaign for a range of audio and video equipment. Watts set Into Design's lawyers to work and letters started flying, threatening legal action unless Sony paid up.

At first, Sony refused on the grounds that the original design sketches, dating back to 1983, were missing. But when it was pointed out that sculptures from the sketches did still exist and were used for making the moulds from which the ducks are made, Sony capitulated and made an out of court settlement offer.

Sony offered a cash payment of £1,500 or Sony equipment valued at £2,000, saying it considered that generous since the use of the ducks "in a prestigious hi-fi brochure would have the effect of promoting sales of the ducks.

Into Design's three person workforce and their lawyers found this suggestion "impertinent," demanded an improved offer, and finally got a cheque for £2,000.

"Ironically," says Watts, "we intend to spend the money on a new hi-fi system. We have needed a new one for a while and before all this started we had our eyes on a Sony system. I don't think we'll be getting that now."

Into Design was started in 1979 and now sells its ceramic models and other gift items in 400 outlets throughout Britain. It has had one export success selling badges to Japan. But the Japanese have yet to order any flying ducks.

Could this latest success spell a new era for the company in the international market? Possibly, says Watts, adding cryptically: "We also make flying pigs."

Seconds out

Douglas Hurd, the Home Secretary, seems to have taken to heart suggestions that he should be more combative in dealing with his critics in the Commons. He has appointed David Heathcoat-Amory, an Oxford boxing blue, as his parliamentary private secretary .

Heathcoat-Amory, MP for Wells, is a chartered accountant, company director and an underwriting member of Lloyds. He attended Eton like his late uncle, Derek Heathcoat-Amory —who quit his post as Chancellor of the Exchequer when out of sympathy with the expansionist policies demanded by Harold Macmillan.

But the former Chancellor was able to boast that a Labour minister (John Strachey) had been his fag at the grand old school. The lack of Old Etonians on the Labour benches rather than the prospects of ministerial advancement make that a hard act to follow.

Cross channel

BBC Breakfast Time scored a rather neat own goal yesterday on the new commercial, export-minded Corporation.

Somebody on the programme had the splendid idea of asking Ko Morita, president of Nikkei, Japan's leading publishing company, to review the morning papers. He was chosen to mark the arrival by satellite in Europe of the company's flagship newspaper, Nihon Keizai Shimbun, which has the world's largest circulation for a business newspaper.

Nikkei, which has a turnover of $2bn and a commercial television network including TV Tokyo and TV Osaka, has begun to buy television programmes from Britain.

Morita, a former journalist, was looking forward to reviewing the papers. But he was woken from a deep sleep in his London hotel early yesterday to be told that his services would no longer be required. No explanation was given.

Labour MP, Joe Ashton, columnist of The Star and founder of The Working Class Society for MPs who once worked with their hands, did the review.

To say that the Nikkei staff are mortified by the rebuff is an understatement. It might be as well if salesmen from BBC Enterprises gave TV Tokyo a wide berth for the time being.

Observer

POLITICS TODAY: THE ALLIANCE

Not such a quickie divorce

By Malcolm Rutherford

BRITAIN'S Social Democratic Party has embarked on a very messy divorce case, the outcome of which is uncertain.

The ballot papers go out to all the party's 50,000 to 60,000 members next week and will contain two questions:

- Do you want the national committee to negotiate a closer constitutional framework for the Alliance, short of merger, which preserves the identity of the SDP?
- Do you want to negotiate a merger of the SDP and the the Liberal Party into one party?

Each paper will be accompanied by two statements: one backed by (among others) three of the original members of the the gang of four, Mr Roy Jenkins, Mr William Rodgers and Mrs Shirley Williams, urging merger or, as they prefer to call it, "union"; the other from supporters of Dr David Owen stressing the need to maintain the separate identity. The results will be declared early in August.

It seems to have been one long fight and it never stops. Nor is it likely to stop

As the wife of one of the protagonists observed, ever since she became connected with politics in the days of Hugh Gaitskell it seems to have been one long fight, and it never stops. Nor is it likely to stop after the SDP's internal referendum, for that is what the ballot amounts to.

In the first place, it is completely unpredictable at this stage which way the voting will go. Secondly, there are no agreed arrangements for what happens next. If the result is close, the SDP is going to have a most peculiar annual conference in Portsmouth at the beginning of September.

Even if the pro-merger faction wins an overwhelming majority, a constitution for the new single party will still have to be negotiated with the Liberals and that, in turn, will have to be put to another ballot of SDP members.

If the Owenite faction wins, some of the SDP will presumably defect to the Liberals outright, but that again would make for a pretty bitter meeting in Portsmouth. Besides, the Owenites would still have to negotiate the "closer constitutional framework" with their Liberal partners.

All that assumes that the Liberals simply sit on the sidelines while the SDP fights it out, then go along with whatever the majority of Social Democrats have decided. The assumption may be far-fetched. The Liberals may seek to intervene in the SDP's internal campaign by pressing the case for merger. They may also have their own views on what form the constitution for the new single party should take; they will certainly have views on the closer constitutional framework which may be quite different from those of the Owenites. An amicable settlement, if there is one, will hardly be reached this side of Christmas.

The general reader might well ask: how has it come to this? After all, in the general election last month the Alliance did not do as well as it had hoped, but it did not do all that badly. It won 23 per cent of the vote, which would be the envy of a third force in any other country in Europe. The Labour Party fought an impressive campaign, but its results were poor. One would have thought that the Alliance parties would have benefited from a period of reflection and analysis before one of them rushed to the divorce courts: But no: old animosities have been revived.

There appears to be no clear single explanation of why it is all happening: not even the bounce theory.

The bounce theory fails to stand up because it is not at all obvious who bounced whom. Mr David Steel, the Liberal leader, thinks that he was bounced by Dr Owen saying on the day after the election that he (Dr Owen) was not in favour of a merger. Dr Owen thinks that he was bounced by Mr Steel calling, a day or so later, for "democratic fusion," which is a merger by another name. He also thinks that Mr Steel had already been bounced by Mr Paddy Ashdown, the Liberal MP for Yeovil, who might have made a bid for the leadership if Mr Steel had not come out and done something—anything—fast.

There was also a certain amount of bouncing going on within the SDP. On Wednesday of last week four of the remaining five Social Democrat MPs (not Dr Owen) appeared at a press conference announcing their call for the internal referendum. At that stage, the proposed questions to be put on the ballot paper were distinctly loaded. One of them read. "Do you want the national committee to seek a total merger of the SDP with the Liberal Party with involves the abolition of the SDP?"

It was left unclear how far Dr Owen was involved in the exercise, but one's clear impression is that it was precisely the kind of strong wording of which he approved.

Anyway, the pro-merger faction in the SDP was opposed to a referendum being held so soon and thought that it was being bounced by the Owenites. The result was a compromise at the meeting of the national committee on Monday: the referendum goes ahead, but with the loaded wording removed.

There is another twist. Mr Robert Maclennan, the Social Democrat MP for Caithness and Sutherland and architect of the party's original constitution, was quite happy to put forward the loaded questions as a starting point, but really preferred the more balanced wording that finally emerged. Mr Maclennan has a plan for the solution of the problems which has not yet been disclosed, and of which more later.

Thus the bounce theory is only relevant if one admits that everyone was bouncing each other. The real question is why the Alliance was in such a febrile state to start with. To this there seem to be two answers. One is the continuing argument about the need for a single leadership. Almost everyone now agrees that there should be one. The doubts are about who it should be and how he or she should be elected.

The other goes back to unfinished quarrels and rivalries within the SDP. It has not been a happy party at the top. In the 1983 general election, when the Alliance did have a single leader in Mr Jenkins, he was criticised by Mr Steel for his ineffectiveness during the campaign. After the election, he resigned and was succeeded by Dr Owen, but the quarrels went on.

Mr Jenkins hankered more and more after a merger. (It is ironic that when he left the Labour Party, he had originally considered joining the Liberals directly but had been advised against it by Mr Steel.) Dr Owen began to insist ever more firmly on the need for the SDP to maintain its separate identity.

The problems almost came to a head last year when the Alliance was trying to reach a joint defence policy and thought it had done so. Dr Owen then intervened to say that it was unsatisfactory because it was not firm enough on the principle of a successor to the Polaris nuclear force. Those incidents have never been forgotten or forgiven by any of the participants.

The SDP leader thinks that many of the Liberals are "wet" and now uses the same term about some of his own colleagues. His view is that there can be no merger without firm and prior agreement on policy. If the majority of the party votes against him, so be it; he will continue to sit it out as the Social Democrat MP for Plymouth Devonport.

And yet as the Alliance in general and the SDP in particular have come close to civil war, in the last few days there have been one or two signs of a willingness to compromise. At a press conference on Wednesday during which he announced his readiness to sink over 100 years of Liberal history into a new party, Mr Steel also showed some faint interest in what the first question on the SDP ballot paper really means.

The key phrase is the "closer constitutional framework" and the key word "constitutional." Mr Steel asked whether it would include more joint selection of Parliamentary candidates, more joint spokesmen on policy matters and a single conference combining the two parties. If it did, he said, the Liberals could look at it.

It is here that the Maclennan plan could come in. Mr Maclennan wants to draft what he calls a new "overarching" constitution for the Alliance. It would provide for a council of several hundred members from both parties and would also leave room for other groups to join, whether defecting Tories, another breakaway group from the Labour Party or perhaps more political virgins, the term applied to SDP recruits in the party's youth.

Many of the policy and organisational debates would take place in the new council. The constitutions of the Liberal and Social Democratic parties would have to be amended to take account of it, but that would be nothing like as difficult as agreeing a new constitution for a merged party. Nor would it preclude a full merger later.

If matters go on like this, the two parties might end up fighting each other at elections

Dr Owen does not wholly disapprove of the idea, though he tends to think that it is too clever by half, and would probably prefer simply "closer co-operation" with the Liberals rather than a closer constitutional framework. Nevertheless, its attraction might be that it would be one way of getting the Alliance off its present hook.

For the fear that has struck Mr Steel, and to some extent Dr Owen as well, is that if matters go on like this, the two parties might end up fighting each other at elections. Then where will the third force be?

Do not be too confident, however, that a compromise will emerge. As one very seasoned politician, now bent on the merger at all costs, remarked yesterday: "If the Owenites stand against the new Alliance in a by-election, they'll win 500 votes at the most."

Lombard

Third term tax priorities

By Michael Prowse

THE THIRD Thatcher Government has a massive parliamentary majority and a mandate to project Britain into a yet higher capitalist trajectory. Across the Atlantic, the top rate of income tax is 33 per cent. Supply-siders, anxious to see the UK become the dynamic Hong Kong of Europe, wonder what will happen to British enterprise under a top rate that is nearly double that of the US. Certainly a Cabinet containing the likes of Lord Young, Mr Nigel Lawson and Mr John Moore does not deserve to be taken seriously by the right wing if, as in the last parliament, it badly fumbles the tax reform ball.

The Government, of course, may maintain that, far from shirking tax reform, it is already embarked on a course of the utmost radicalism. I refer to the proposed "community charge" or poll tax. President Reagan's income tax cuts may send cold shivers down the spines of socialists, but as an attack on egalitarianism, they are feeble stuff. The President, after all, has not challenged the notion that taxes should bear some relation to people's ability to pay. Even after his "reforms," the US income tax code will retain some progressivity: income tax bills will rise more than in line incomes.

The Thatcher poll tax, by comparison, is as unfair as any of the bitterly opposed levies of feudal times. There is absolutely no link between tax liability and wealth, income or any measure of a person's means. The extraordinary thing about the community charge debate is the way people are prepared to apply quite different standards when discussing supposedly local issues. Mr Nicholas Ridley, for example, appears to believe that, because adults can expect to benefit equally from local services, they should be prepared to pay equally for them.

How does this argument stand up at the national level? We all, I suppose, benefit equally from the services rendered by the Ministry of Defence. Should we not pay equally for them? Why not go all the way and have a national poll tax to pay for national services, with exemptions for the old, unemployed and sick? Why bother to link national tax liabilities to a will o' the wisp like income? If nothing else, the tax principles applied at the national and local levels should be mutually consistent.

It is quite sobering to reflect that Britain, in the space of little more than a decade, is likely to have sampled the two polar extremes of tax policy. In the 1970s, under Labour, the country had to endure the farce of a nominal top rate of income tax of 98 per cent. No commitment to social justice, however vehement, can justify this kind of tax rate on anything. Even a group of fanatical Marxists drawing up a fiscal blueprint for a Utopia might get uneasy if some hothead said: "OK, let's make sure the rich guys keep only 2p of every extra pound they make." Yet the Tories are planning to cap this idiocy with a tax that bears equally on the Duke of Westminster and a streetcleaner in a bedsit.

What can the Thatcher Government do in its third term to end a cycle of quite awful national and local tax policies? The first step must be the withdrawal of the poll tax, a levy that has no place in a civilised society, be it right or left leaning. The second must be to heed the hard lesson of the last parliament, which is that piecemeal reform just does not work. Mrs Thatcher should not hestitate to commission a thorough Treasury review of all aspects of tax policy (rather as President Reagan did in the US).

With its large majority and fresh mandate, the Government can scarcely pretend it is impotent in the face of special interest groups. It could implement the sweeping changes that such a global review would recommend and so meet in a fair-minded way the challenge of tax reforms abroad. But it should take care. As Mr Nakasone's experience in Japan testifies, unpopular tax reforms can break even a highly esteemed politician.

Letters to the Editor

Counting heads

From Mr E. Whiting.

Sir, — After reading some of the problems in Richard Evans's article (June 26) it seems to be that it would be much easier to collect poll tax via the Inland Revenue and other central agencies than by small local authorities.

The Inland Revenue, with its new computer system, will soon have a register of everyone who pays income tax. It is only necessary to add a code for the local council area to each person's income tax data; then the Revenue would send out a demand for the poll tax, adding it to income tax in most cases. For those on PAYE — the vast majority of taxpayers — the poll tax could be deducted from wages or salary as with income tax. Anyone who does not pay income tax could surely be regarded as too poor to pay poll tax.

If it is really necessary to pick up others on low incomes such as pensioners, students, unemployed and married women not working, data could probably be found by using the DHSS and unemployment register computer files. Even then some would still remain outside the net, but probably much less than those in a primitive individual tax demand system.

Without tax collection at source millions of people would probably avoid paying. It would need only a well - organised anti-poll-tax association to refuse to pay the tax in order to badly damage the Government. People are used to rates and increases are not generally outrageous. But a new tax, with a totally different basis and inevitable flaws initially, would be bound to produce massive defaults sufficient to topple the system.

For a centralising Government the use of existing central computer files and deduction at source would be surely the most sensible and economical way of dealing with poll tax.

Edwin A. Whiting,
2 Spring Vale Road,
Hayfield,
Stockport.

Force land into use

From Mr A. Hollway

Sir,—Mr V. Blundell (June 29) is correct in pointing out the debilitating effect of derelict land in inner cities though his solution of a "hefty tax on the value of land" is open to question. Might it not ultimately force up the price of land?

Would it not be better for the Government to legislate to auction the freehold of all derelict public utility land at whatever price it obtains? There would need to be a safeguard provision that if any auctioned land hadn't been developed within, say, two to three years, the previous owner who sold the land had the right to buy it back at the same price or market price if lower.

This would be an effective way of producing a low cost base to encourage private investment in inner cities.

Alan C. Hollway.
W. F. Hollway & Bro
42, Grafton St,
Liverpool.

Capital gains

From Mr R. Harris

Sir,—Mr Fred Carr (June 30) goes too far in suggesting that property held for more than six months should be exempted from Capital Gains Tax. As the Chancellor of the Exchequer pointed out during the election campaign, if CGT were to be abolished it would be possible to avoid a great deal of tax by investing in such things as building plots or old masters, which yield little or no taxable income, but which often produce large capital gains. A six months limit, or indeed a six years limit, would be of little value here.

There is, however, no reason why long term capital gains on equities should not be exempt from tax. In so far as these "gains" represent anything but inflation, they mostly represent retained profits which have already borne Corporation Tax, and it is quite wrong that they should be taxed twice over.

To exempt long term gains on equities would also greatly reduce the administrative problem of extending indexation for inflation to gains made between 1965 and 1982. As owner-occupied houses and chattels worth less than £3,000 are already exempt, most assessments would concern either other types of real estate or else expensive chattels such as works of art. As the number of cases involving these must be relatively few, the work of completely indexing them should not be too great.

Richard Harris.
8/119 Haverstock Hill, NW3.

US claims to extraterritorial jurisdiction

From Sir Alan Neale and Dr Melville Stephens

Sir,—Like many readers we enjoy Mr A. H. Hermann's robust treatment of excessive US claims to extraterritorial jurisdiction, some of which do indeed cause troublesome friction with friendly countries. At times, however, he "doth protest too much." Some of his comments in his piece (June 25) on the US Supreme Court decision in Aerospatiale are wide of the mark.

The Hague Convention has safeguards enabling signatory states to withhold evidence regarded as prejudicial to their sovereignty. It is fanciful therefore to imply that the decision sets a precedent that would enable Soviet courts (or anyone else) to require foreign litigants to provide material that their states would want to withhold on security or other grounds. It is noteworthy that US courts and other agencies, like the SEC, have never yet succeeded in extracting information contrary to Swiss bank secrecy laws other than by securing the co-operation of the Swiss authorities by diplomatic means. Nor will other states apply the Hague Convention in cases in which the jurisdiction of the US courts is contested. Mr Hermann seems to have forgotten the celebrated judgment of the House of Lords in 1978 on the uranium litigation, when Lord Wilberforce declined to enforce letters rogatory under the Convention against RTZ, after the Attorney-General deposed that the information was sought "for the purposes of the exercise by United States courts of extraterritorial jurisdiction in penal matters which in the view of HMG is prejudicial to the sovereignty of the United Kingdom."

Mr Hermann ignores the key question of jurisdiction. Aerospatiale arose from litigation in the United States, following an accident in Iowa, in which the jurisdiction of the US Federal Court was not challenged by the French company. In such a case English courts too would expect a foreign defendant to accept local rules of discovery. In a recent case (Mackinnon v. Donaldson Lufkin Corp) Mr Justice Hoffmann observed with reference to foreign parties to English litigation: "If you join the game, you must play according to the local rules. This applies not only to plaintiffs but also to defendants who give notice of intention to defend." The UK amicus brief in Aerospatiale was simply following UK practice, therefore, in taking the view that the Hague Convention should not be seen as the exclusive means of seeking evidence from foreign litigants. Moreover on this point the US Supreme Court was unanimous; even the minority described as "extreme." Mr Hermann's view that the Convention should be the sole and mandatory recourse.

On the other hand the UK brief urged that the Hague Convention should be used in the particular case and that US courts should in general take account of differences in practice with regard to discovery in different jurisdictions. The indications are that all members of the Court gave serious attention to the need, on grounds of comity, for US courts to have regard to these points, and in the words of the majority opinion "take care to demonstrate due respect for any special problem confronted by the foreign litigant on account of its nationality or the location of its operations, and for any sovereign interest expressed by a foreign state." The fairly narrow difference between the majority and minority opinions is that the majority wanted lower courts to deal with these issues case by case, whereas the minority felt that more general guidance could be given, with a presumption in favour of "first use" of the Hague Convention, particularly in civil law countries where the discovery process is seen as a judicial function and not left to the parties. Mr Hermann goes too far, therefore, when he interprets this decision as a swing "towards the universal application of US laws." We shall go too far in the opposite direction if in Europe we assume unthinkingly that every request by a foreign court for documents held in our countries must involve an infringement of our sovereignty. This view would set back the international co-operation that is more than ever essential for combatting transnational fraud and other crimes.

This leads to a final point about "blocking" statutes. Mr Hermann is right to be concerned that penal sanctions should not be exerted against foreign parties who are prevented by their own law from acceding to requests for evidence. Mr Justice Hoffmann, in the case mentioned above, noted that "of course a party may be excused from having to produce a document on the ground that this would violate the law of the place where the document is kept."

(Sir) Alan Neale,
95, Swains Lane, N6,
(Dr) Melville Stephens,
28, Albemarle St, W1.

FINANCIAL TIMES

Friday, July 3 1987

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George Graham reports on the climax of a trial that has divided France

Barbie case goes to jury tonight

JUDGE AND JURY retire tonight to decide their verdict on Klaus Barbie, the former Gestapo secret police chief whose trial for crimes against humanity has dominated the French city of Lyons for the last two months.

The trial has not, as many feared at the outset, turned into a personal showpiece for Mr Jacques Verges, the defence lawyer, nor has it exposed the seamier side of French collaboration with the German occupation or exploded the national mythology of the Resistance.

Instead, the trial has provided the vehicle for a stream of Jews and Resistance fighters who have told the court, often for the first time in public, how Barbie tortured them and their families and deported them to Nazi concentration camps.

Mr Verges has used to the full the excessive zeal of a few prosecution witnesses, mocking those who appeared to pin on his client the responsibility for every crime committed during the war.

"It is not enough for someone to have been deported for him to be believed if he affirms that Barbie stole the Eiffel Tower", he sneered at one witness.

For the steady stream of spectators who have come to stand at the back of the specially constructed courtroom, these occasional lapses have not detracted from a harrowing body of testimony.

Yet it has not been Mr Verges, nor Barbie - absent from the courtroom for all but a few days - who has dominated the proceedings, but the prosecutor, Mr Pierre Truche.

Standing out in his red robes from the 39 black-gowned lawyers behind him, representatives of the victims and Jewish or Resistance associations which have joined the suit against Barbie as civil parties, Mr Truche has stood out even more in his attention to the detail of the case and his determination to prove the precise crimes with which Barbie is charged.

Klaus Barbie

Jacques Verges

The charges are heavy enough. The main counts are the arrest and deportation of 83 Jews seized in a raid on the headquarters of the Union Generale des Israelites de France in the Rue Ste Catherine, Lyons, in 1943; the deportation of 44 children from a Jewish refuge at Izieu, close to Lyons, in 1944; and the deportation of 650 Jews and members of the French Resistance in August 1944, just a few days before the Germans were driven out of Lyons.

But Barbie's accusers have not settled their differences over whether all these charges should be aimed at him today.

They have not, in particular, abandoned the debate over the definition of a crime against humanity - the only crime in French law not covered by any statute of limitations, and with which Barbie can still be charged today, 40 years on.

The boundaries were set by the French appeals court in 1985, when it ruled that persecution of members of the Resistance - even although they had voluntarily chosen the path of opposition - could be counted as a crime against humanity, alongside the deportation and genocide of Jews and gypsies.

The definition was disputed at the time by Mr Christian Riss, the judge in charge of the preliminary investigations of the Barbie case, and remains contested by many Jewish organisations, which believe that it tends to "banalise" the holocaust undertaken by Hitler.

The argument has soured the Barbie trial, since it has at intervals throughout the proceedings set Jewish lawyers at loggerheads with those representing the Resistance.

"The debate has become absurd and even painful because it seems to set those who were deported, resistance fighters or Jews, at odds with each other, as if the distinction entailed a value judgment. It is only a question of denouncing the racist character of the Nazi ideology and its consequences", commented Mrs Simone Veil, former speaker of the European Parliament and herself a survivor of Auschwitz.

Yet it is not an irrelevant debate. Besides denying his client's direct responsibility for the specific events laid at his door, Mr Verges's principal line of defence is to draw a parallel between the Nazi crimes and those committed by the French in Algeria - which were amnestied in France - or by the US in Vietnam.

Mr Truche made it clear in his final prosecution speech that he disagreed with the broader definition of crimes against humanity adopted by the Paris appeals court, but expected the Lyons tribunal to apply it.

"You cannot say that there is one act in this file which is not inhuman. Time has not come into it."

Perhaps the trial has had its greatest effect outside the courtroom, where more than 5m viewers stayed up after midnight to watch the end of "Shoah", the monumental documentary about the victims of the Nazi holocaust which had long been seen by French television executives as too indigestible but was at last screened on TF1, the main channel, this week.

VW board wins shareholders' backing

BY ANDREW FISHER IN WOLFSBURG

THE BOARD of Volkswagen won an overwhelming vote of confidence from shareholders last night, after a 10- hour annual meeting which focused heavily on the DM 473m ($260m) of losses suffered last year through currency fraud.

The result was a clear victory for Mr Carl Hahn, chairman of the West German motor group, and his colleagues, although the vote was never seriously expected to go against them, with nearly half the shares in government and regional state hands. Mr Hahn and his eight fellow directors received 98 per cent of the votes, as did the supervisory board members who also obtained shareholder approval.

Most of the 4,000 shareholders at yesterday's meeting managed to hold their fire, giving Mr Hahn a fairly easy ride. The sun shone and the works band played Johann Strauss's jaunty Radetzky March as they poured into the meeting to hear how the board would explain the scandal.

It never looked as if many fireworks would appear, although the temperature hotted up near the end. Questions were rambling and there were few angry words in the meeting, lasting from mid-morning to evening.

Directors heard charges of neglect and incompetence over the foreign exchange scandal, but the general tone of the meeting lacked hostility.

The smoothly assured Mr Hahn offered shareholders little new information on the affair, repeating that the group did not expect further such losses. VW had been "the victim of criminal actions."

He added: "The loss of such large sums is without question a setback for us, the severity of which is surpassed only by that of the damage to our reputation." The group had suffered "a terrible accident."

Mr Hahn, just turned 61, was unruffled by questioning by shareholders about how the currency fraud could have happened. After a report by independent auditors, the board was not expected to be refused the customary vote approving the past year's actions.

The report said the supervisory and management boards were not responsible, through neglect, for the fraud. But it was critical about faulty monitoring by the finance department of foreign exchange dealings.

Mr Rolf Selowsky resigned over the affair as finance director, although he was not implicated personally. He was due to step down later, anyhow. Mr Burkhard Junger, VW's former foreign exchange head, is in custody.

At the start of the meeting, Mr Karl Gustaf Ratjen, head of the supervisory board, said it had to recommend that the vote to "relieve" the management board for 1986 - to approve its actions in a vote of confidence - should not be extended to Mr Selowsky, in view of the report's findings. Shareholders accordingly voted against Mr Selowsky on the confidence motion.

The outcome of the vote for the present board members was not in doubt, with 40 per cent of votes held by the state of Lower Saxony and the West German Government, which said yesterday it was delaying the privatisation of its 16 per cent holding in VW until 1988. Altogether, 52 per cent of the ordinary shares were represented at the meeting yesterday.

Continued from Page 1

Shevardnadze meeting with Shultz in doubt

convert Pershing 2 missiles based in West Germany, which would be phased out under the socalled zero-option, into Pershing 1Bs, which would be jointly operated with the West Germans, were denied in both Moscow and Washington yesterday.

The State Department insisted that there has been no change in the US position and that it has the right to come to such an arrangement with the Federal Republic. In Moscow, Mr Pyadyshev said Washington was trying to spread a rosy picture of negotiations in Geneva different from reality.

Many arms control experts in Washington are convinced that the major hurdles to an agreement are seen by both sides to have been cleared, that the remaining outstanding issues are inevitably looming larger because the negotiation is in its final stages, and that, barring some unforeseen developments and despite the rhetoric, the political commitment to reach an agreement seems to be firm on both sides.

European air freight network planned by Australian group

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT, IN LONDON

TNT, the Australian-based transport group, plans to set up an overnight air freight network in Western Europe using the "quiet trader" cargo version of the four-engined BAe 146.

The group recently announced the acquisition of up to 72 of the aircraft in a deal worth about $1.5bn.

Sir Peter Abeles, managing director of TNT, yesterday signed an agreement in London with Sir Raymond Lygo, chief executive of British Aerospace, covering collaboration over the next five years in developing the cargo version. He also signed a contract for the first five aircraft and provision for a further batch of an undisclosed quantity.

Sir Peter said TNT planned to set up the first all-freight airline in Western Europe, and then to expand its operations further afield. "We will carry anything and everything," he said, "from perishable foods to office furniture." He estimated that the market was worth at least $6bn a year.

British Aerospace is setting up a production line for the freighter version at Woodford, Manchester, and the first aircrafts from it would emerge next year. A larger Series 350 version is planned. Passenger versions of the aircraft for other customers would continue to be built at Hatfield, north of London.

Sir Peter said TNT planned to set up a series of "hub" airports throughout Western Europe, including the UK (where Birmingham is currently its main base). The first Continental hub would probably be at Nuremberg in Western Germany.

"We intend to keep away from the main airports," he said, "because we find that by doing so we get better service, and we can operate in the way we want to operate.

"We will have, for example, our own customs clearance arrangements in each country, devoted solely to us, and for which we will pay, so as to ensure rapid turnround times of our aircraft. Only in that way can we ensure guaranteed overnight service to our customers."

TNT would work alongside established airlines in each country, but not with the big flag airlines of the countries concerned. This would avoid difficulties over winning the necessary route licences.

Intially, two 146s would fly under the UK flag, followed by one under the Italian flag, one Scandinavian, one French and one Spanish. Further expansion would depend on demand.

The airlines involved would be sub-contracted to fly for TNT, with the aircraft in TNT's colours. TNT would own the aircraft, along with the ground facilities for the cargo.

Sir Peter said TNT did not know how big the market for an overnight parcels and freight service would be. "All we do know is that it is a massive opportunity that we intend to exploit to the full."

He expected competitors to move in. "But they will have to make the investment of the kind we have already made with our surface overnight parcels and freight system," he said.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	26	79	Dubrovnik	S	26	79	Malta	S	30	86	Rhodes	S	26	79
Algiers	S	29	84	Edinburgh	F	18	64	Manchester	C	17	63	Rio de J'o	C	30	86
Amsterdam	C	18	64	Faro	S	29	84	Manila	S	34	93	Rome	S	32	90
Athens	S	34	93	Florence	S	33	91	Melbourne	F	13	55	Salzburg	F	24	75
Bahrain	S	39	102	Frankfurt	C	23	73	Mexico City	S	24	75	San Francisco	C	17	63
Bangkok	C	32	90	Funchal	S	23	73	Miami	R	30	86	Seoul	C	30	86
Barcelona	S	28	82	Geneva	S	25	77	Milan	S	30	86	Singapore	S	32	90
Beirut	S	31	88	Gibraltar	S	24	75	Montreal	C	23	73	Stockholm	F	20	68
Belfast	F	16	61	Glasgow	C	16	61	Moscow	F	25	77	Strasbourg	F	25	77
Belgrade	S	30	86	Guernsey	S	18	64	Munich	F	23	73	Sydney	R	13	55
Berlin	F	22	72	Helsinki	S	19	66	Nairobi	F	25	77	Tapei	R	34	93
Biarritz	F	24	75	H. Kong	C	30	86	Naples	C	26	79	Tangier	S	29	84
Bombay	R	25	77	Innsbruck	F	26	79	Nassau	S	30	87	Tel Aviv	S	29	84
Bordeaux	S	28	82	Inverness	C	15	59	New Delhi	S	42	108	Tenerife	S	25	77
Brussels	S	19	66	Islamabad	S	43	109	New York	C	30	86	Tokyo	C	29	84
Budapest	S	30	86	Istanbul	S	31	88	Nice	S	28	82	Toronto	C	23	73
B. Aires	C	16	60	Jakarta	R	33	91	Nicosia	S	39	102	Tunis	S	33	91
Cairo	S	36	97	Jersey	S	21	70	Oporto	S	24	75	Valencia	S	30	86
Cape Town	C	15	59	Jo'burg	S	20	68	Oslo	F	20	68	Venice	S	33	91
Caracas	C	26	79	Lima	C	20	70	Paris	S	25	77	Vienna	S	24	75
Casablanca	-	-	-	Lisbon	S	34	93	Peking	F	26	79	Warsaw	S	31	88
Chicago	C	24	75	London	C	23	73	Prague	C	17	63	Washington	-	-	-
Cologne	F	21	70	Los Angeles	S	24	75	Reykjavik	C	12	54	Zurich	F	23	73
Copenhagen	S	19	66	Luxembourg	S	21	70								
Corfu	S	29	84	Madrid	S	32	90								
Dallas	-	-	-	Majorca	S	29	84								
Dublin	F	16	61	Malaga	C	26	79								

Readings at mid-day yesterday
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Continued from Page 1

Diet seeks missile probe

bly driven by old anger over Japan's trade surplus with the US.

The Government has repeatedly apologised for the Soviet deal and has promised to tighten up its previously lax export control systems. Shocked by the Senate move, the powerful Ministry for International Trade and Industry (MITI) yesterday called in the leaders of Japan's four biggest industrial trade associations to drum home the importance of preventing a repeat of the Toshiba sale. "Without security there can be no prosperity." Mr Hajime Tamura, the MITI Minister, is said to have told the businessmen.

Western experts say modernising submarine detection systems to deal with quieter Soviet propellers being produced on Toshiba equipment could cost up to $30bn. "They (Toshiba) have made it easier for the Soviets to kill Americans," said one US Congressman yesterday.

Punitive Bills are also being prepared in the House of Representatives, and the intervention by the Diet members appears to set the US and Japanese legislatures on a collision course.

President Ibrahim Babangida

Nigeria delays return to democracy

By Patrick Smith in Lagos

THE NIGERIAN military government's decision to delay the handover of power to a civilian government until 1992 has generally been well received here, with only a handful of public figures openly opposing the move.

In a late-night broadcast yesterday, President Ibrahim Babangida said that although the transition process would start this year, the armed forces would not hand over full federal power until the middle of 1992, some two years later than he had originally projected.

Although some commentators in Lagos have drawn parallels with General Yakubu Gowon's military government in the 1970s, which was overthrown after its failure to keep to a programmed handover of power to civilians, the weight of opinion appears to be that the two situations are not analagous.

While the Gowon government had postponed a return to civil rule indefinitely and was described as "drifting", the Babangida government has issued a detailed programme for transition and last year embarked on a tough schedule to restructure the economy, which many believe would be derailed by any early return to partisan politics.

Instead, public concern has centred on the accountability of politicians under the new system and safeguards to prevent the blatant election-rigging that characterised the 1983 elections and led to a military coup at the end of that year.

A political bureau commissioned by the government to suggest reforms to the political process has called for tougher controls over the activities of future civilian legislators and a more effective separation of powers between executive, legislature and judiciary.

The six-year transition programme will start this year with the establishment of an electoral commission and a directorate of social mobilisation and political education, as well as local elections on a non-party basis.

The programme will also direct greater power and resources for local government authorities as part of efforts to boost rural development and the potentially prosperous agricultural sector.

A constituent assembly to oversee the drafting of the new constitution is to be set up in 1988, as will as a national population commission, whose brief will be to complete a national census by the end of 1991.

Following promulgation of the new constitution and the lifting of the ban on party politics, the government is to hold further local and state elections in 1990. Both these elections will be contested by the two registered political parties.

By delaying elections to the bicameral federal legislature and for the presidency until 1992, observers say, the government hopes to keep watch on the new political arrangements and to make any necessary adjustments.

Acknowledging the recent spate of semi-clandestine political activities, General Babangida said:'Government is aware of the disappointment this date (1992) will cause for self-seeking politicians who have been running around the country mobilising people for leadership roles'.

But he warned that any attempt to obstruct the programme would be regarded as national sabotage and punished accordingly.

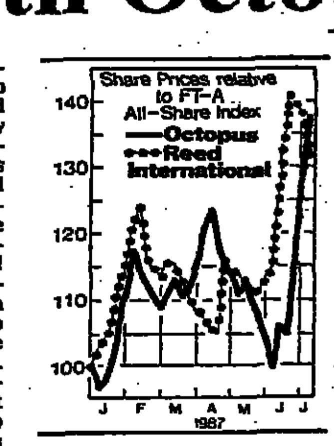
It is not yet clear how far these strictures will curtail the activities of Nigeria's would-be politicians, many of whom have been juggling for power following the death in May of Chief Obafemi Awolowo, a major political leader in the west of the country for more than 30 years.

There has also been much criciticism of a group of elder statesmen in the north who convened a meeting on June 6 ostensibly to discuss ways to reconcile the region's Muslim and Christian communities.

THE LEX COLUMN

Reed shakes hands with Octopus

Reed International's transformation from much-hated to much-loved stock has reached the stage where few in the City doubted the sense of yesterday's agreed bid for Octopus Publishing. Its oft-repeated strategy of building up its publishing activities and the simple fit between its existing UK interests and the Octopus general books range appears logical. Indeed had Paul Hamlyn not been ready to hand over control to Reed, there was precious little else available to plug that gap. Most important is the absorption of the Octopus management into Reed, whose attempts to run the Hamlyn business on its own ended with its sale to Octopus.



What is less obvious, though, is the extent to which Octopus can grow organically rather than by yet more acquisitions and how much more the two combined can do than separately. If mass market books can be sold like consumer magazines Octopus and Reed combine the skills to do it. And the "book of the magazine" is an obvious area for collaboration while Reed can help Octopus with its international aspirations.

As for the price, buying agreement is never cheap and even so dilution this year will be small. Reed's sale of its paint and DIY businesses on an historic multiple around 17 and the purchase of Octopus at 30 times historic earnings may not be the sort of switch fund managers feel happy with. But for a company keen to improve its own rating the more high p/e businesses it has the better. If there is a predator out there after Reed the inclusion of Octopus is more of an attraction than a deterrent.

Contibel

Groupe Bruxelles Lambert and Tractebel have a not very pleasant duty to perform this morning, which is to announce that there has been virtually no increase in acceptances of their £395m bid for Contibel - the dull half of the demerged IC Gas group - during the second offer period. Indeed, were they able to at this stage, it is very likely that some of the 7.2 per cent who accepted before the first closing date, would have taken their names out of the hat. At 302, up 4p, the Contibel is further clear of the 278p agreed offer than ever.

The market will see the turning point in the bid as the mix up a week ago, when the bidders retracted a remark by a director of GBL that the group had no intention of making a higher offer. But there is a more fundamental problem with the offer, namely that it is a fixed price bid for what is little more than equity stakes in a number of Belgian companies, most of them quoted.

In an offer for a bona fide investment trust, a formula bid, based on a fixed discount to net asset value would be the only way of gaining shareholder support. By pitching its offer at quite a chunky discount to the assets, the Belgians were clearly protecting themselves against a depreciation in the value of the shares, either because of weakness in the underlying Belgian securities, or in the Belgian currency against sterling. In the event, both have moved the other way, with the result that the offer is at least 5 per cent meaner than it first appeared.

That may give the Contibel board, when it meets early next week, a convenient excuse for withdrawing its unwise agreement to the offer. Otherwise, unless the Belgians increase their bid, the directors could well be in the gruesome position of having agreed to a bid subsequently rejected by their shareholders.

Norsk Hydro

No one could ever accuse Norsk Hydro of making an opportunistic rights issue. By announcing that it will call on shareholders for between NKr 3bn and NKr 3.5bn some time in the autumn, NH is giving them every opportunity to sell, and drive the price down ahead of the issue. Yet in New York the ADR price fell by only $1 to $30⅝, which is particularly encouraging for the company, as Americans are the biggest holders of the 49 per cent of the equity not owned by the Norwegian Government.

It seems that the state's half of the rights issue will merely finance the payment it will receive from NH for selling it the 30 per cent of Hydro Aluminium that the company does not already own. In calling on other shareholders for about NOK 1.7bn, Norsk Hydro may be signalling that this year's cash flow will not be sufficient to cover the wide range of heavy capital expenditure committments that the company is now incurring. To the extent that the money is to be spent on sorting out the fertiliser businesses that NH spent so much time acquiring over the past few years, the market might be feeling a bit jaundiced. But the big oilfield developments seem perfectly timed to exploit the expected tightening of the oil market in the next decade, and should therefore be supported.

Forecasting

One of the most fervent hopes of forecasters is that their predictions will have been forgotten by the time they are proved wrong. So Phillips & Drew's analysis of how accurate its profit forecasting record has been over the last 10 years is an act of uncalled for self-examination. And P&D, which has the advantage of covering the waterfront of the UK market, does not blush to admit that its first aggregate forecasts for any particular year are on average a quarter too high on the estimate of profits growth.

As that first forecast is made in the summer before the year in question starts that is not at all bad. During the year in question the forecasts are first cut, then edged up and cut again in the second half. And by the beginning of the year following the one predicted, the forecasts are generally a touch below the final outcome. Judging by past experience, P&D's estimate of 1987 profits growth, which started at 18 per cent and now stands at 21 per cent, may yet prove a couple of points too low.

طبق الأصل

E-II meets with mixed reception in $420m stock launch

BY OUR NEW YORK STAFF

MR DONALD KELLY, the food-industry executive who took Beatrice Companies private last year in a record-breaking $6.2bn leveraged-buyout, suffered a setback yesterday with a disappointing $420m stockmarket launch for E-II Holdings, his new master company.

E-II, which refers to Esmark the company Mr Kelly ran before it was aquired by Beatrice, groups together most of Beatrice's non-food businesses and was specifically designed as a vehicle for Mr Kelly's deal-making skills.

The size of the E-II initial public offering was scaled back from 37m to 28m shares and the price was set at $15 a share. This was the bottom end of the range of $15 to $18 originally estimated by the underwriters led by Salomon Brothers.

The E-II shares started trading on the New York stock exchange at $14¾ and rose to $14½ by lunchtime. Simultaneously with its stock offering E-II also sold $1.5bn of new subordinated notes and debentures on the junk bond market through Drexel Burnham Lambert.

The mixed reception to the E-II issue suggests some scepticism about the pot-pourri of businesses, including Samsonite luggage, Culligan water softening equipment and various specialised food businesses, put together in the new company.

It may also indicate that underwriters may have overestimated the market's faith in Mr Kelly, since E-II has been marketed to investors more as a play on its chairman's future acquisitions than on its present assets.

However, most analysts continued to express confidence in the E-II concept, basing their enthusiasm on Mr Kelly's success with the leveraged buyout of Beatrice. nearly $3bn of the original $6bn debt has already been repaid, without selling off any of the company's most valuable businesses.

While the scaling back of the buyout will give E-II $120m less in equity than it had hoped for, the company will still have nearly $1bn in cash immediately available for making acquisitions, after using part of its junk bond issues to pay off inter-company debts.

In addition, E-II has said that it has bank credit lines of up to $5bn. In the event of an attractive acquisition, Mr Kelly "will have no difficulty in coming back to the market for more equity, even within the next few months", one analyst commented yesterday.

CSX plans job cuts

BY OUR FINANCIAL STAFF

CSX, the US transport and energy group, is planning job cuts in its rail units after suffering a 19 per cent fall in second-quarter net earnings.

This followed the trend seen in the first three months and mainly reflected the extremely competitive transport market. The cuts are expected to involve 10 per cent of non-contract labour in the division.

For the latest quarter net profit was down at $100m, or 65 cents a share, from $124m, or 81 cents, a year earlier. This left the six months total down at $173m, or $1.12, compared with $209m, or $1.37 last time.

First half revenue was ahead to $3.9bn, from $3.44bn, with $2.01bn, against $1.75bn in the latest quarter. Turnover on transport in the three months was up at $1.7bn, from $1.4bn previously.

The group aims ultimately to cut its rail workforce to 30,000, compared with 43,279 at the end of 1986.

Donnelley pays $283m for mailing company

By William Hall in New York

R. R. DONNELLEY & SONS, the world's largest commercial printer, is taking steps to combat its exposure to a sluggish US advertising market and is paying $29.75 a share cash or $282.6m to buy *Metromail*, a small but highly profitable company which specialises in compiling mailing lists.

Metromail, which is based in Lincoln, Nebraska, has built numerous data bases which cover 78m of America's 85m homes.

It used to be part of Metromedia but the management bought the company in 1980 and in the first nine months of its current financial year it earned $7.2m on sales of $69.2m.

Mr John B. Schwemm, Donnelley's chief executive, described Metromail as "an excellent fit" and its business was "very closely related" to that of Donnelley which "is in the business of helping our customers sell or better service their customers. Metromail helps its customers secure new customers."

It is a leading provider of list, list enhancement and other services in the direct mail marketing industry and Donnelley is a leading provider of catalogue printing and distribution services to this industry.

The acquisition will combine Metromail's handling and enhancement technology with Donnelley's Selectronic technology.

It should enable Donnelley to provide its customers with more efficient and effective distribution services than were available from any other source, says Mr Schwemm.

David Buchan reports on what lies ahead for the company behind the B-1 bomber

Rockwell flies confidently into the future

IS THERE life for Rockwell International after the B-1 bomber? Decisively yes, says Mr Donald Beall, company president and chief operating officer. He claims the $12bn turnover company is diversified enough to weather completion of its largest single programme without a major dip in profits. Few outside analysts seriously disagree with him.

But a dip in sales is inescapable when the 100th and final B-1B bomber rolls out of the company's assembly and check-out hangar at Palmdale in about a year's time. At that point the B-1B programme will metamorphise from one providing some $3bn in sales a year to one worth $300m–500m in residual business to Rockwell through servicing and support.

By that time, 18,000 of the 29,000 workforce employed on the B-1B at its peak will have been laid off, and the 1m square feet Palmdale hangar will be empty.

Rockwell has given up trying to persuade the US Government to buy more than 100 B-1Bs. The air force's reluctance has nothing, Mr Beall stresses, to do with the teething problems of the aircraft.

Indeed, in an interview at Rockwell's California headquarters on the edge of Los Angeles airport, he describes the reports of problems with weight, fuel leaks and terrain-following radar as "unadulterated hogwash." He concedes that technical difficulties have arisen with the aircraft's defensive electronics, or electronic counter-measures, which are attributable partly to subcontractor problems at the AIL division of Eaton Corporation, and partly to changes in the Soviet threat.

But Rockwell is proud enough of its B-1B record to be currently canvassing journalists for someone to write a book on the subject.

Started under President Ford, cancelled by President Carter and revived by President Reagan, the B-1B will come to be seen, Mr Beall predicts, as "one of the best US national security projects which saved billions of dollars and several years in the building."

The reason, why the Air Force is standing still on just 100 B-1Bs is that the aircraft is now seen as an interim between the venerable B-52 and the Stealth bomber that Northrop is developing. A time may come, says Mr Beall, when 100 B-1Bs and the 132 Stealth bombers presently programmed may not seem enough to a superpower like the US which could use 350–400 large bombers. The answer then might be more B-1Bs or derivatives.

Donald Beall

In any event, Rockwell will stay ready to come back as a prime contractor making military aircraft, according to Mr Beall, a 49-year-old who is tipped to take over from Mr Robert Anderson, the 65-year-old Rockwell chairman next year. More than America's six other military aircraft makers, it has dropped in and out of the business over the years.

The kernel of Rockwell's aircraft making capability will be kept alive by such aerospace work as its contract to replace the lost Challenger shuttle, design of the National Aerospace Plans (the attempt at hypersonic passenger travel) and bids for such diverse contracts as converting C-130 transports to gunships for the US air force and upgrading Chinese F-8 fighters with new avionics.

Some industry observers believe Rockwell is dropping out of major prime contracting for the Pentagon at just the right time, when defence contractors are facing static volume of work and worse contractual terms.

As current chairman of the Aerospace Industry Association (AIA), Mr Beall voices the industry's concern that the Pentagon has pushed "the pendulum too far" in requiring competition, though wearing his Rockwell hat he wouldn't be adverse to Stealth bomber production being opened to competition.

However, aerospace accounts for only 45 per cent of Rockwell business. One third of turnover is electronics, and this will rise to over half in the late 1990s, Mr Beall forecasts. The growth is expected to come in defence electronics and in the civil field. Most recently, Rockwell won the $500m deal to fit combat systems to the six Swedish submarines Australia is buying. But, rumours to the contrary, Rockwell is not about to join the current rush of aerospace companies to buy electronics firms. For Rockwell had already made its purchase – $1.7bn to buy Allen-Bradley, a major player in factory controls and automation, in 1985.

Recent US tax changes have slowed automation decisions. But Rockwell is waiting, and expecting, Allen-Bradley to start offsetting the fall-off in B-1B business. The corporate acquisition strategy – 10 small companies were bought last year – seems to be to snap up smallish businesses to round out Allen-Bradley's product line.

The company raised net profits to $325m in the six months ending March 31 1987, up 14 per cent on the comparable period a year earlier. "Given reasonable performance from our non-B-1B business, lower tax rates, currently more favourable pension accounting rules, and a modest share re-purchase programme, we should be able to avoid any dip in earnings per share," says Mr Beall.

Abitibi-Price eyes US

BY OUR MONTREAL CORRESPONDENT

ABITIBI-PRICE, the world's largest newsprint producer, is ready to expand into the US, following reorganisation of its parent, Gulf Canada.

The Reichmann family of Toronto won control of Abitibi in 1979 and for the last two years has owned about 90 per cent through its Gulf Canada holding company.

But following a reorganisation, Abitibi is now 27 per cent owned by the public in North America and Europe, with the balance held by the Reichmanns through Olympia and York Developments.

Besides newsprint, Abitibi is also a major producer of special printing papers, plastics and building materials. All these sectors were mature in Canada, said the company, and expansion to the south was the only real option. Abitibi has recently upgraded its newsprint mill in Georgia.

The expansion strategy includes newsprint over the longer term but, as a first step, Abitibi wants to bolster through acquisition its US distribution for high value paper products.

The company said Abitibi shares would be listed shortly on the New York Stock Exchange, the company would have access to international equity markets as a base for its US expansion.

Imasco sells property group

By Robert Gibbens in Montreal

IMASCO, the Canadian fast food, tobacco, and retailing group, plans to sell its Sutter Hill Developments property subsidiary to Alexis Nihon Group, of Montreal, for C$200m (US$150m) including assumption of debt.

The definitive agreement with Alexis Nihon follows the end of a deal to sell the subsidiary to a management group last May. Alexis Nihon is a large real estate development and venture capital group controlled by the Nihon family in Montreal and Vancouver.

Reichhold rejects bid

BY ANATOLE KALETSKY IN NEW YORK

REICHHOLD Chemicals, the New York-based manufacturer of polymers and industrial adhesives, has rejected the $460m tender offer launched unexpectedly last week by Dainippon Ink and Chemicals of Japan. However, the Reichhold rejection appeared to leave the door open for a higher offer from Dainippon or another bidder.

Reichhold said the offer of $52.50 a share was "inadequate and not in the best interests of the company or its shareholders."

The board added that other parties had expressed an interest in acquiring Reichhold and retained First Boston Corporation, the company's investment bank, to "explore these inquiries and develop other superior alternatives."

Among the alternative approaches which Reichhold is said to be considering is a leveraged buyout which would take the company private. Reichhold has recently undergone extensive restructuring and its earnings, which were only $8m in the last financial year on sales of $766m, are expected to increase sharply.

These are the classic conditions in which leveraged buyouts are often attempted in the US.

Reichhold's shares closed $2¾ up at $63½

INTL. COMPANIES & FINANCE

Norsk Hydro plans $500m issue

BY K'.VIN DONE, NORDIC CORRESPONDENT IN STOCKHOLM

NORSK HYDRO, the Norwegian oil and gas, fertilisers, petrochemicals and metals group, is planning to launch the biggest share issue undertaken by a Scandinavian company. It intends to raise up to NKr 3.5bn ($520m) in new equity.

The issue will be made at around the turn of the year and will take the form of a rights issue.

The company said it plans to form an international group of stand-by underwriters, chiefly from the US, to take up unsubscribed shares which would be channelled mainly to US investors.

Norsk Hydro, which is 51 per cent owned by the Norwegian state, is already one of the most widely spread European equities, but in the last year it has also begun to attract wide interest from US investors, whose share of the equity has jumped to about 10 per cent from 1 per cent a year ago.

Shares in Hydro, Europe's largest fertiliser group, have been listed in New York since June 1986.

Mr Georg Stoermer, finance director, said the Norwegian Government would take up its rights in order to mtaintain its holding at 51 per cent.

The group has reached agreement with the Government to buy out the state's remaining 30 per cent holding in Hydro Aluminium, the aluminium operation formed last year through the merger of the state-owned Ardal and Sunndal Verk and Hydro's existing aluminium division.

The Government will use the NKr 1.69bn proceeds from this deal to subscribe its share in the rights issue. Hydro will gain considerable tax advantages by acquiring 100 per cent control of the aluminium operations and will also strengthen group earnings.

About 10 per cent of the Hydro equity is held by private investors in Norway, 8 per cent in France, 7 per cent in Switzerland, 5 per cent in West Germany and 3 per cent in the UK, as well as 10 per cent in the US.

Norsk Hydro's balance sheet has come under increasing pressure as a result of both heavy investments and big acquisitions in the past couple of years and a poor financial performance in 1986, when the group plunged into its first loss for more than 40 years.

The concern made an after-tax loss of NKr 374m last year compared with an after-tax profit of NKr 2.08bn in 1985.

The picture has brightened this year, however, with rising oil and aluminium prices and in recent days the Norsk Hydro shares have been trading around a peak of NKr 213 compared with a low at the end of July last year of NKr 125.

Net profits in the first quarter this year rose by 18 per cent to NKr 413m from NKr 351m a year earlier with the oil and gas, metals and petrochemicals divisions all showing improved operating income.

Apart from the Hydro Aluminium investment, Norsk Hydro also faces heavy capital expenditure in coming years in the North Sea with the development of the Gullfaffs, Oseberg, Troll, Sleipner, Brage and Veslefrikk fields.

In addition, it is building a C$400m (US$28bn) magnesium plant in Canada, and is facing large investments to strengthen its fertiliser operations.

Swedish buyer for Poggenpohl

BY SARA WEBB IN STOCKHOLM

SKANE-GRIPEN, a Swedish conglomerate based in Malmö, has agreed to acquire Poggenpohl, the privately-owned West German manufacturer of up-market kitchen and bathroom fittings, for an undisclosed sum.

Skane-Gripen said it wanted to increase its existing bathroom and kitchen fittings operations and focus on the quality end of the market. The group is taking over assets and total interest-bearing debts of DM 75m ($41m).

The acquisition is expected only to increase group profits by between SKr 5m and SKr 10m ($785,000 to $1.57m) initially, according to Mr Sten K. Johnson, managing director of Skane-Gripen. Last year, Skane-Gripen reported profits (after financial items) of SKr 286m on sales of SKr 5.4bn.

Poggenpohl is the leading manufacturer of kitchen and bathroom fittings in Europe, taking into account the units sold excluding refrigerators. Its competitors include Alno and Wellman in West Germany.

Last year its turnover reached SKr 876m and profits, according to Mr Johnson, were low. It employs 1,200 and exports 40 per cent of its products, with the US, UK and France each accounting for 10 per cent.

While Skane-Gripen plans to keep the Poggenpohl name, the operations will be combined with its existing kitchen and bathroom fitting company Pro-Norm, which had sales last year of SKr 353m and profits of SKr 34m.

Mr Johnson said there would be opportunities for some form of industrial co-operationu between the two companies which have complementary product lines, and that the acquisition would strengthen the company's distribution network. He said it was the group's policy to concentrate on specific business areas rather than to diversify.

Combined turnover for Poggenpohl and Pro-Norm is expected to reach SKr 1.3bn with profits of SKr 40m-SKr 45m in 1987, acording to Mr Johnson.

Skane-Gripen's other businesses include candles, musical instruments, laminated parquet flooring, and textiles for industrial use.

Elsevier undeterred by Kluwer defence

By Our Financial Staff

ELSEVIER IS to press ahead with its takeover bid for Kluwer, the rival Dutch publishing group, despite the latter's plans to merge with Wolters Samsom, the publishing and information service company.

It was widely assumed in the Netherlands that Elsevier would increase its terms for Kluwer after the deal with Wolters Samsom. But Elsevier said yesterday it was sticking to its original share and cash offer which is worth around Fl 393 per Kluwer share.

At current stock market prices, the merger with Wolters Samson is worth some Fl 395 a share to Kluwer shareholders.

Elsevier said yesterday that it had built up a stake of 24 per cent in Kluwer. If the Kluwer merger with Wolters Samson goes ahead, Elsevier will acquire a stake in the newly formed company that "will at least meet group demands for vields on capital invested," Elsevier said.

Elsevier said its original motives for wanting to acquire Kluwer — an increased stake in the international scientific publications market — still stood.

BMW lifts interim sales 15%

BY HAIG SIMONIAN IN FRANKFURT

TURNOVER AT BMW, the West German luxury car maker, increased by 15 per cent in the first half of 1987 to more than DM 8.7bn ($4.7bn), while the number of cars produced edged ahead to 235,000 at the half-year stage, Mr Eberhard von Kuenheim, the chairman, told yesterday's annual meeting in Munich.

Mr von Kuenheim said the company was heading for its "usual economic success" this year. "We are stronger and more stable than never," he added.

The new 7 series saloon increased its share to 39 per cent of the domestic luxury car market in the first half of 1987, and was doing very well elsewhere.

BMW's important US business remanied profitable, said Mr von Kuenheim, perhaps in contrast to that of some other producers. The company would invest more than $100m in the US this year, while its dealers would plough in a further $140m.

Count von der Goltz, BMW's supervisory board chairman, strennously denied repeated press suggestions that the Quandt family which is BMW's largest shareholder with more than 60 per cent, had any intention of selling its stake. The family "will not be disposing of any part of its holding."

Luxembourg bank ahead

By Our Financial Staff

KREDIETBANK SA Luxembourgeoise has raised net LFr 829m ($22m) for the year ended March 1987 from LFr 712m a year earlier, largely by expanding its fee-earning activities.

The bank said it had developed fee-earning activities in foreign exchange, trading of Eurobonds, stock exchange operations, private banking, holding companies and investment funds.

These had more than compensated for the effects of the fall in value of the dollar, which had resulted in a drop in dollar earnings expressed in Luxembourg francs.

Kredietbank also said it was increasing its net dividend to LFr 517 against LEr 470 the year before, while the pre-tax dividend is increased to LFr 608 from LFr 553.

The balance sheet total rose to LFr 256bn from LFr 235bn. In March 1987 the bank increased its capital by LFr 1.11bn through the issue of 83,645 new shares. It holds a 29.3 per cent stake in Brown Shipley, the UK merchant bank.

Deminex

Deminex made a profit of DM 67.4m in 1985, not a loss as stated yesterday.

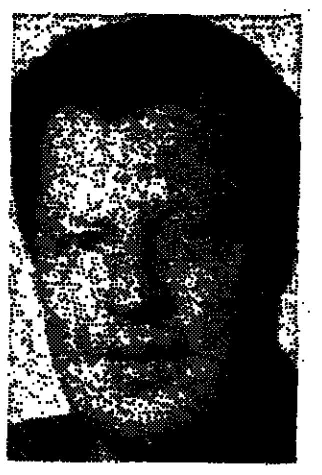
Ford-Werke returns to black

BY ANDREW FISHER IN FRANKFURT

FORD-WERKE, the West German subsidiary of Ford Motor of the US, ended two years of heavy losses in 1986, with a net profit of DM 587m ($320m).

For this year, the company expected a continuation of the positive growth trend, said Mr Daniel Goeudevert, the chairman. Capital spending in the next five years will exceed DM 4bn.

The sharp turnround last year from the 1985 loss of DM 215m (and one of DM 298m in 1985) resulted from a 10 per cent rise in unit sales, price increases, the effect of the strong D-Mark in keeping down imported material costs, higher productivity, and the lack of further high provisions for early retirements.



Daniel Goeudevert: warning on production costs

Mr Goeudevert said the 3.5 per cent net return on sales achieved last year by the German manufacturer, whose tax bill rose from DM 41m to DM 378m, put Ford in the top earnings rank of international motor companies.

However, he warned of the danger that Germany might only become a producer of big, expensive cars, noting that Opel (part of General Motors) Volkswagen, and Ford itself were now making their small models in Spain at lower costs.

Competition with Japan, now turning its attention to Europe as sales to the US became harder, and with South Korea, which was increasing its car production, meant Germany could not bear further cuts in working hours, he added.

The German motor industry had to watch that costs did not rise so high as to offset its advantages of quality, reliability, and technical innovation. (The trend to shorter working hours is being continued in Germany, with the latest three-year wage deal with the IG Metall. This provides for an eventual 37-hour week, but the union is still aiming for 35 hours in the next decade.)

"We are approaching the pain threshold," said Mr Gouedevert of the cost trend in Germany. Last week, Opel also referred to the high level of labour costs in Germany compared with leading competitor countries like the US, Japan, France, Italy, and the UK.

His remarks were made in the context of questions about possible production shifts within Ford of Europe to the UK, where the lower pound has made exporting cheaper. However, he said only that Germany's high quality and productivity could not always offset cost disadvantages.

Describing progress in 1987, Mr Gerd Toepfer, the finance director, said profits were slightly higher in the first half.

Turnover was around 2.5 per cent higher in the first five months, he said, with output up by 3.5 per cent.

Puma delays annual meeting

BY OUR FINANCIAL STAFF

PUMA, THE West German sports goods manufacturer best known for its running shoes, has postponed the annual shareholders' meeting originally scheduled for August 18.

"One can assume that the meeting has been postponed because the preparatory work is taking longer than originally planned," the company said. It did not give any further details.

Puma, which went public in July 1986 with an issue of preference capital, has run into trading difficulties, notably in the US.

Earlier this year, Armin and Gerd Dassler, the company's major shareholders, made two subordinated loans totalling DM62m ($34m) to the company. The loans were intended to prevent a 1986 loss caused by "miserable" business in the US, management board member Mr Vincenz Grothgar said.

INTERNATIONAL CAPITAL MARKETS and COMPANIES

Japanese equity warrants suffer bout of indigestion

BY ALEXANDER NICOLL AND STEPHEN FIDLER

THE MARKET in Eurobonds with equity warrants for Japanese companies in US dollars, for months the most active sector of new issue activity, is showing signs of severe indigestion.

An unprecedented calendar had been lined up for this month: a total of 34 issuers with bonds worth $4.27bn. But nine isues from six borrowers were postponed yesterday.

Nomura International, for example, the largest of the Japanese houses, said it would not go ahead with any of the isues it had scheduled until market conditions improved.

Two Japanese companies, Hanwa and Ishihara, which had issues scheduled for the dollar market, have gone ahead with equity-linked issues in Swiss francs.

The indigestion follows intense issuing activity from Japanese companies, which could swap their dollar funds into yen and obtain negative interest rates.

The competition led to a downward spiral of coupons, to as low as ⅞ per cent in the case of a $150m issue for Tokyu, which sharply raised the effective cost of the equity warrants to investors.

Recent issues have involved effective warrant premiums over the underlying shares of 25 per cent or more, compared with secondary market premiums of around 8 per cent. Investors have been willing to buy in the primary market, despite this, because they can buy in size and because the surging Tokyo Stock Market has made them handsome profits.

But over the last two weeks, the market has shown signs of faltering and investors have become less assured of profits.

In addition, the proliferation of issues has made the making of markets in the warrants problematic. For many, there is no satisfactory secondary market.

Japanese issuing houses were saying yesterday that the indigestion might take at least three

INTERNATIONAL BONDS

or four weeks to clear up, although this period would be extended if more new issues arrived.

New issues in the equity-related areas yesterday fell to discounts greater than their fees. C. Itoh, the trading concern, made a $500m bonds-with-warrants offering dividend into two identical tranches, $300m led by Nikko Securities in Europe and $200m by Nippon Kangyo Kakumaru Securities in Asia.

The bonds, quoted at three points below their par issue price, were for five years and had indicated coupons of 2¼ per cent.

Onoda Cement made a similar $100m issue, also for five years with an indicated 2¼ per cent coupon and par pricing, led by Nikko. It was bid at 2¾ points below issue price.

In Switzerland, a SFr 170m bonds-with-warrants deal for Hanwa, a steel trading firm, also met an uncertain response. Led by Banco del Gottardo, the five-year issue was indicated with a 1 per cent coupon.

Kraft, the US food group, made a Y15bn five-year issue led by Nomura International, with a 5⅜ per cent coupon and price of 101¼. The issue was quoted within its fees.

In the Australian dollar sector, Deutsche Bank Australia's issue was increased from A$100m to A$125m. Oesterreichische Landerbank made a A$50m three-year issue led by Banque Paribas Capital Markets, priced at 101⅜ with a 14 per cent coupon.

Prudential-Bache Capital Funding made a $100m issue through a special purchase vehicle, CARPS. Collateralised by $142m of Japanese ex-warrant bonds, the five-year issue carries a margin of ⅛ percentage points above London interbank offered rates and is priced at 100.1. About 70 per cent of the bonds backing the deal were issued by Mitsubishi Corporation.

Swiss and German bond prices were little changed in quiet business. A SFr 200m issue for Quebec ended its first day's trading at 99¼ compared with a par issue price.

Shearson Lehman fixed the terms of a $50m issue for Emhart with a 6¾ per cent coupon and conversion price of $53, giving a premium of 18.77 per cent.

ADS offer by Banco Santander

BY ALEXANDER NICOLL, EUROMARKETS EDITOR

BANCO SANTANDER, the Spanish bank, is to make a $125m international share offering in which the European as well as the North American portions will take the form of American depository shares.

The shares to be offered, comprising $75m in the US and Canada and $50m in Europe, are currently owned by various subsidiaries of the bank which have accumulated them in order to offer them internationally.

Salomon Brothers is leading the sale, which is expected to be launched towards the end of July. It totals 2.9m ADS each worth one ordinary share.

The European tranche is believed to be the first Euro-equity offering to take the ADS form. This is designed to speed settlement, which can often be a lengthy process on some European stock markets. It would also reduce brokerage costs.

European investors are understood to have switched their holdings of some other European stocks, such as Spain's Telefonica, into ADS to circumvent settlement delays and reduce transaction costs.

Nabisco pulls notes after US tax move

By Our Financial Staff

RJR NABISCO, the big US food and tobacco group, yesterday became the first Eurobond borrower to react to the termination of the US tax treaty with the Netherlands Antilles by announcing the early redemption of $400m of zero-coupon notes.

The company, a prominent Euromarket borrower, said that R. J. Reynolds Overseas Finance, its Netherlands Antilles finance subsidiary, would redeem on September 1 its zero-coupon guaranteed notes due February 19, 1992.

The company said it is calling the bonds because of Monday's decision by the US Treasury to terminate the income tax treaty between the US and the Netherlands Antilles effective January 1, 1988.

RJR Nabisco said the bond issue would be redeemed at 50.498 per cent of the principal amount of each note together with accrued amortisation of the original issue discount from February 19, 1987 to the redemption date.

Manufacturers Hanover Trust Company, the fiscal and paying agent for the issue, has been notified of the redemption.

The termination of the treaty means that, starting in 1988, a US company will have to pay a 30 per cent withholding tax on interest payments that it transfers to the Netherlands Antilles to service the Eurobonds.

Earlier yesterday, pre-July 1984 issues by US corporations, which suffered badly earlier this week following the US decision, perked up somewhat. They were helped by some strong rumours that the Treasury, unable to mitigate the impact on the Eurobond market by itself, might move to support Congressional legislation to "grandfather" the existing tax position on these bonds.

Heavy demand for Societe Generale

By George Graham in Paris

FRANCE'S PRIVATISATION programme has continued to attract heavy demand from investors, despite the recent weakness of the rest of the Paris stock market.

Well over 2m individual investors have applied for shares in the public offering of Societe Generale, the latest company to be privatised and the largest flotation ever undertaken in France.

Final results of the bank's flotation are not expected to be known until next week, but the figure is expected to be similar to the 2.24m applications received by Compagnie Generale d'Electricite, the last large company to be privatised before Societe Generale.

The public offering of 20.86m shares priced at FFr 407 valued the whole of Societe Generale at FFr 22.4bn ($3.67bn).

In all, 48.5 per cent of Societe Generale's capital was offered for sale to the French public, with a further 10 per cent reserved for employees, 16 per cent sold overseas, and 25.5 per cent placed with a hard core of friendly institutional investors.

Paribas to underwrite German issue

BANQUE PARIBAS Capital Markets is underwriting a new share issue for Rheinisch-Westfalische Kreditgarantiebank, based in Dortmund, Reuter reports from Frankfurt. The deal will be its first share underwriting for a German company.

Some 80 per cent of RWK ordinary capital, 488,912 shares in a nominal value of DM 24.45m, will be offered to domestic and international investors from tomorrow, Banque Paribas executives said in Frankfurt yesterday.

Bank Paribas Capital Markets is the German subsidiary of Compagnie Financiere de Paribas.

Medium-term notes for Atlas Copco

By Our Euromarkets Editor

ATLAS COPCO, the Swedish engineering group, is the latest borrower to arrange a programme of medium-term notes in the Euromarkets.

Its $100m programme is being arranged by Enskilda Securities with Swiss Bank Corporation International as an additional dealer. It will enable Atlas Copco to issue MTN's of any maturity, normally between one and five years, in a variety of currencies, either at a discount or with interest coupons.

David Lascelles on a growing concern among international bankers

Settlement risk becomes top issue

ON AN AVERAGE day, it is estimated, some 400,000 financial transactions representing $1.3 trillion (billion billion) are cleared through the New York banking system.

Miraculously, all but a tiny fraction of them pass through without any problems. When they do not, the problems can be horrific, as in the case of Bank of New York's computer failure in 1985 which forced the New York Fed to lend $23bn to the banking system to stave off disaster.

Settlement risk—the danger that the counterparty to a trade in securities or foreign exchange will not perform—is a growing concern for bankers, and it emerged as one of the main themes at last week's International Monetary Conference in Hamburg, attended by the world's top central bankers and commercial bank chairmen.

"We have taken it out of the computer room and put it in the boardroom," said Mr Gerry Corrigan, the president of the New York Fed, noting that what bankers once dismissed as a matter for the technicians and the boffins had now become a top management issue.

In the past, settlement risk was seldom a problem because trading among banks was confined to domestic markets where procedures were well understood, and volumes were small. The risks have grown rapidly with the arrival of global 24-hour trading which transcends domestic markets and makes new demands on the system.

"Complaints about snags in international settlements are no longer the exception today, but the rule," said Mr Alfred Herrhausen, chief executive of Deutsche Bank, West Germany's largest bank.

One of Mr Herrhausen's proposed remedies is the creation of a new global computer network, as a kind of public utility, to handle and record all transactions, and give transparency to the capital markets.

Mr Gerry Corrigan, president of the New York Fed (left) and Mr Alfred Herrhausen, chief executive of Deutsche Bank.

He also wants greater standardisation of capital requirements for institutions operating in the markets to reduce credit risks.

All this could be done at the initiative of trade organisations rather than through the regulatory authorities, he believes, so that it would have the added strength of a framework to which all market participants voluntarily subscribed rather than had thrust upon them.

But there are other problems too, notably the "daylight overdraft." Under current practice, banks calculate and charge interest on overdrafts on the basis of the balance at the end of the day. However it is possible for banks to build up large debits during the day, either deliberately or because their incomings and outgoings do not coincide. Thus, a bank could go out of business at lunchtime and cause havoc.

The fact that daylight overdrafts are "free" so long as borrowers square their books by nightfall is a tempation to some traders to deal heavily during the day, in excess of their capital limits. Technically, with 24-hour trading, it is also possible to roll the overdraft forward with the sun and never actually close the books at all.

Mr Dennis Weatherstone, the president of Morgan Guaranty, had several proposals to meet these problems.

Banks should be encouraged to engage in more active management of their cash flow positions to reduce intra-day overdrafts. He suggested that banks might charge interest by the minute rather than on the overnight balance to discourage heavy use of daylight facilities. And to prevent perpetual rolling forward of overdrafts, he thinks settlement should be made by geographical region.

Greater use of netting arrangements would reduce the banks' exposures; they would merely pay each other the difference in what they owe each other, rather than swap the full amounts. Netting is already being prepared for the foreign exchange markets and some securities markets.

Many of thse proposals found ready acceptance among bankers. They are more divided on the thornier question of whether non-banks, particularly the large US and Japanese securities houses, should be given access to the settlement system.

The argument for letting them in is that they are among the world's biggest securities and foreign exchange traders, and their inclusion would add to the transparency of the system. However, many banks are wary of admitting such large potential competitors, particularly if they are not required to abide by the same regulatory standards. As they stand, securities houses also enjoy most of the benefits of a settlement system without having to bear the costs.

Mr Corrigan was anxious to dispel any impression that the international financial system was creaking under the strain. "The lesson of the Bank of New York," he said, "is that problems like that get solved." But it underlined the need for lots of contingency planning and further efforts to consolidate supervision of the international banking system.

US halts foreign currency municipal bonds

THE FIRST two issues of tax-exempt foreign currency municipal bonds to be launched in the US have had to be withdrawn after a US ruling which has left the future of this new form of financing in doubt, Reuter reports from New York.

The ruling, from the Internal Revenue Service, said any currency loss on the bonds would not be deductible from tax, as the issuers had originally hoped, but would be treated as an adjustment to the tax-exempt interest income.

The Treasury saw the bonds as a way to reap profits at the expense of its tax receipts, and officials felt that underwriters intentionally issued bonds in currencies they expected to depreciate to get an additional tax advantage, officials in Washington said.

Goldman Sachs last month offered $15m of tax-exempt State of Iowa notes denominated in New Zealand dollars with a 12 per cent coupon, or in Australian dollars with a 9 per cent coupon. The one-year notes sold out in a week.

Los Angeles County also said it sold $100m of tax-exempt one-year notes denominated in New Zealand dollars with a 12 per cent coupon, with First Boston Corp as sole underwriter.

Officials said the US move was intended to discourage the deals. "We thought it was appropriate to send a message to the market," a Treasury official said, adding that the Treasury would not necessarily accept deals that raise major policy issues just because a contract had been signed.

Investment bankers defended their use of the bonds, saying they chose high interest rate currencies like the New Zealand dollar because they offered attractive rates of return compared with US rates.

Currency risk to issuers would have been eliminated through the use of currency swaps.

Administration sources said the Treasury would deal with the possibility of currency gains on tax-exempt issues when it developed comprehensive regulations, for which no date has been set.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on July 2

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7½ 92	200	94	[illegible]	[illegible]	[illegible]	[illegible]
A/S Eksportfinans 7⅞ 93	100	[illegible]	[illegible]	[illegible]	[illegible]	8.95
A/S Eksportfinans 7⅛ 92	150	94½	95	0	[illegible]	8.67
Austria 7¾ 97	200	[illegible]	[illegible]	[illegible]	0	9.01
BP Capital 9⅛ 94	100	[illegible]	[illegible]	[illegible]	[illegible]	8.50
British Telecom 7⅝ 96	250	[illegible]	[illegible]	[illegible]	[illegible]	9.12
Campbell Soup 10½ 95	100	[illegible]	[illegible]	[illegible]	[illegible]	9.21
Canada 9 96	1000	[illegible]	[illegible]	[illegible]	[illegible]	8.79
Canadian Pac. 10¾ 93	100	[illegible]	[illegible]	[illegible]	[illegible]	9.58
CCCE 7⅛ 91	115	95	95½	[illegible]	[illegible]	8.47
CNCA 7¾ 91	150	[illegible]	[illegible]	0	[illegible]	8.73
Citicorp 8¼ 93	200	[illegible]	[illegible]	[illegible]	0	[illegible]
Credit Lyonnais 9 91	200	[illegible]	[illegible]	[illegible]	[illegible]	8.52
Credit National 7⅞ 92	100	[illegible]	[illegible]	[illegible]	[illegible]	8.58
Credit National 9⅛ 93	150	†102	102½	0	[illegible]	8.59
Credit National 7¾ 91	150	[illegible]	[illegible]	[illegible]	[illegible]	8.48
Denmark Kingdom 7¼ 92	500	95	95½	[illegible]	[illegible]	8.95
Denmark Kingdom 8¼ 91	300	98	98½	[illegible]	[illegible]	8.78
EEC 7 91	100	95	95½	[illegible]	[illegible]	8.31
EEC 8¼ 96	100	[illegible]	[illegible]	[illegible]	[illegible]	8.89
EEC 7¼ 93	250	[illegible]	94	[illegible]	[illegible]	8.71
EIB 7⅝ 93	100	[illegible]	[illegible]	[illegible]	[illegible]	8.76
Finland 7⅞ 97	200	[illegible]	[illegible]	[illegible]	[illegible]	9.21
Finland 7½ 93	200	[illegible]	[illegible]	[illegible]	[illegible]	8.81
Ford Motor Cred. 10½ 91	150	[illegible]	[illegible]	[illegible]	[illegible]	8.79
Ford Motor Cred. 11⅞ 90	100	106	106½	[illegible]	[illegible]	8.57
Gen. Elec. Cred. 10¼ 00	200	[illegible]	[illegible]	[illegible]	[illegible]	9.76
Hoesch 7⅞ 92	100	[illegible]	[illegible]	[illegible]	[illegible]	8.25
Hoesch 7¾ 94	300	[illegible]	[illegible]	[illegible]	[illegible]	8.85
Hoesch 8¼ 97	100	[illegible]	[illegible]	[illegible]	[illegible]	8.93
Liberty Mutual 8½ 96	150	[illegible]	[illegible]	[illegible]	[illegible]	9.34
LTCB of Japan 8 91	100	97½	98	[illegible]	[illegible]	8.66
LTCB of Japan 8 97	200	94½	95	[illegible]	[illegible]	9.16
Mercds.-Benz Cred. 7½ 93	100	[illegible]	[illegible]	[illegible]	[illegible]	8.27
Mitsubishi Fin. 7⅞ 93	100	[illegible]	[illegible]	[illegible]	[illegible]	9.10
Mutual America 7⅝ 92	100	[illegible]	[illegible]	[illegible]	[illegible]	8.85
Norway Kingdom 7¼ 91	500	[illegible]	[illegible]	[illegible]	[illegible]	8.46
Pepsico Inc. 7⅛ 93	200	[illegible]	[illegible]	[illegible]	[illegible]	8.80
Qantas Airways 10⅜ 95	140	[illegible]	[illegible]	[illegible]	[illegible]	9.26
Queensland Govt. 10¼ 95	100	[illegible]	[illegible]	[illegible]	[illegible]	10.28
Ralston Purina 11¼ 95	150	[illegible]	[illegible]	[illegible]	[illegible]	10.25
Saab Scania 9½ 91	125	[illegible]	[illegible]	[illegible]	[illegible]	8.64
Saskatchewan 10¼ 92	100	[illegible]	[illegible]	[illegible]	−1	8.83
State Bk. S. Aust. 9¼ 93	100	[illegible]	[illegible]	[illegible]	[illegible]	8.99
Statoil 10 90	170	[illegible]	[illegible]	[illegible]	0	8.56
Swed. Exp. Cred. 7¼ 91	100	[illegible]	[illegible]	[illegible]	[illegible]	8.45
Swed. Exp. Cred. 10 92	100	[illegible]	[illegible]	[illegible]	[illegible]	8.48
Sweden 8¼ 96	200	[illegible]	[illegible]	[illegible]	[illegible]	8.91
Sweden 7 92	250	[illegible]	[illegible]	[illegible]	[illegible]	8.43
Sweden Kingdom 10⅞ 90	200	[illegible]	[illegible]	[illegible]	[illegible]	8.22
Sweden Kingdom 7 91	250	[illegible]	95½	[illegible]	[illegible]	8.35
Taiyo Finance 7¾ 94	100	[illegible]	[illegible]	[illegible]	−1½	9.59
Toyota Motor Cred. 8 89	100	[illegible]	[illegible]	[illegible]	0	7.79
Toyota Mtr. Cred. 7⅛ 92	150	[illegible]	[illegible]	[illegible]	0	8.79
Victorian Rep. 11⅞ 92	150	[illegible]	[illegible]	[illegible]	[illegible]	8.97
World Bank 7 92	300	[illegible]	[illegible]	[illegible]	[illegible]	8.34
Yasuda Trust Fin. 8½ 93	100	[illegible]	[illegible]	[illegible]	[illegible]	8.80

Average price change on day [illegible] on week [illegible]

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bank 8 94	200	†108	109	[illegible]	[illegible]	6.48
Austrian Elec. Co. 6½ 95	150	[illegible]	101½	[illegible]	[illegible]	6.51
BMW 5¾ 96	200	[illegible]	[illegible]	[illegible]	[illegible]	6.38
Daimler Benz Int. 5⅜ 01	500	[illegible]	[illegible]	[illegible]	[illegible]	6.78
Dow Chemical 5⅝ 96	300	[illegible]	95	0	[illegible]	6.44
Dow Chemical 6¼ 95	300	[illegible]	[illegible]	−1	[illegible]	6.58
EIB 5½ 98	150	[illegible]	[illegible]	0	0	6.52
EIB 6⅛ 96	300	[illegible]	[illegible]	0	[illegible]	6.42
EIB 6⅞ 95	300	[illegible]	[illegible]	[illegible]	[illegible]	6.41
EIB 6 97	300	[illegible]	[illegible]	[illegible]	[illegible]	6.35
Euro. Coal & Steel 5⅞ 97	175	[illegible]	96	[illegible]	[illegible]	6.49
Eurofima 6¼ 96	100	[illegible]	[illegible]	[illegible]	[illegible]	6.52
Ex.-Im. Bk. Korea 7⅝ 90	100	[illegible]	[illegible]	0	[illegible]	5.76

[illegible]

John Elliott reports from Karachi on a boost to Islamic banking

Success for Grindlays' modaraba

THE CREDIBILITY of Pakistan's two-year-old Islamic banking system has received a boost from an investment fund, called a modaraba, recently floated by Grindlays Bank and more than 12 times subscribed.

The issue has attracted offers totalling just over Rs 1bn ($58m) from overseas and resident Pakistanis, for a Rs 80m subscription. It could grow later to Rs 750m.

This is the biggest response to a public issue in the country's 40-year history. According to local bankers, it demonstrates the volume of potential investment funds which Pakistan's under-developed capital markets are failing to tap.

The issue also breaks new ground for the Islamic banking system, which has so far failed to make much impact on the country's commercial scene since it came into full operation in July 1985 as part of the general Islamisation policies of President Zia ul-Haq.

Grindlays' success is assumed in Karachi to be the result of linking the bank's international name and security with an Islamic method, which attracted Pakistanis living overseas as well as those resident in the country.

Government officials had not expected the Islamic *modaraba* method to become a significant public fund raiser. Now, both the nationalised banks and some of the other 16 foreign banks operating in Pakistan are expected to try to float their own *modarabas*.

Liberalised controls

If successful, this development could help to enlarge the base of Pakistan's limited capital markets, which are also to be expanded soon with the launch of new private sector investment companies sanctioned by the Government in last month's annual budget.

There have been three earlier, much smaller *modarabas*, and none has been significantly over-subscribed.

Pakistan has about a dozen approved modes of Islamic financing, including the *modaraba*, all of which avoid the prohibition on paying conventional interest — called *riba*. Banks are, however, allowed to levy and pay equivalent charges to customers and investors. They have had no serious problems adapting, and in some ways have found that the changes have helped to liberalise previously tight Government controls on the banking regime.

A *modaraba* is broadly a cross between an investment trust and a venture capital company. In Islamic terms it merges private investors' funds with another party's managerial or entrepreneurial skill and a token amount of money — in this case Grindlays' banking experience and its 20 per cent stake.

A principal objective is to reward investors without paying interest, so that 90 per cent of the profits are distributed.

Grindlays, part of the Australia and New Zealand Banking Group, intends to use its fund, called First Grindlays Modaraba, primarily for leasing, an increasingly popular device in Pakistan, although investments can also be made in commercial and industrial companies.

It has government approval for a Rs 100m *modaraba*, of which it is providing Rs 20m itself. As a result, it can keep only Rs 80m of the Rs 1.01bn offered by the public, although the initial total fund of Rs 100m can grow to Rs 750m, since it is authorised to borrow within a debt: equity ratio of 4:1 plus a 50 per cent potential for capitalisation.

Overseas allocation

Of the Rs 80m on offer, an allocation of Rs 40m for Pakistanis resident overseas was 16 times subscribed. This demonstrated the wealth in the hands of overseas Pakistanis — much of it currently spent on consumer items — which is potentially available for business investment.

An allocation of Rs 32m for resident Pakistanis was nine times subscribed with Rs 367m. A further Rs 8m was taken up by the government-owned National Investment Trust. The fund's Rs 10 units, floated at par, started trading at Rs 15 in Karachi forward markets and are now being quoted at around Rs 13.50.

Foreigners hold 19.5% of MISC

BY WONG SULONG IN KUALA LUMPUR

FOREIGNERS HAVE more than doubled their holding in Malaysian International Shipping Corporation to 19.5 per cent since the company was publicly listed last February.

An MISC statement yesterday said foreigners held 97.65m out of the paid-up capital of 500m shares at the end of June. MISC has a policy of limiting foreign ownership to 30 per cent.

When the government-owned shipping line was listed on the Kuala Lumpur Stock Exchange, the foreign stake was about 9 per cent, held largely by Sir Frank W. K. Tsao, a Hong Kong businessman.

As part of the listing exercise, MISC issued 85m shares of 1 ringgit each, priced at 2.4 ringgit and confined to the Malaysian public. The shares opened at 5 ringgit and have risen steadily to around 7.3 ringgit currently.

Analysts say there has been steady and strong foreign buying of MISC shares, particularly from London and the US. They say foreign buyers find the shares attractive at a current price: earnings ratio of around 15, compared with an average of over 40 for other KLSE stocks.

The leading MISC shareholders are holding on to their stakes, with the exception of the Kuok family, which recently sold 5m shares, leaving it with 20m units.

MISC made an after-tax profit of 237m ringgit (US$93.8m) last year, compared with 162m ringgit in 1985.

Gulf Investment starts spending

BY TONY WALKER IN KUWAIT

AFTER A CAUTIOUS start, the Kuwait-based Gulf Investment Corporation has begun investing its shareholder's funds, but is finding it difficult to identify suitable projects.

GIC, whose sponsors are the six member states of the Gulf Cooperation Council, has taken a 20 per cent share in the newly-established Kuwait Pharmaceutical Industries Company (KPIC) as a modest first step in fulfilling its charter, which includes a reuirement that it invest in employment-creating agricultural and industrial projects in GCC countries.

GIC executives say they have studied about 70 projects. They have whittled the possibilities down to eight which will require total investment of about $750m. GIC plans to take 10 to 20 per cent of the equity.

Approved in principle has been given to investments in such projects as a titanium dioxide plant at Yanbu on the west coast of Saudi Arabia whose total value is $140m; an aircraft modification centre in the Saudi capital, Riyadh ($127m); an aero engine overhaul facility also in Riyadh ($152.5m); and a drawn steel wire project in Jubail on Saudi Arabia's east coast ($30m).

Mr Uwe Jahnke, a senior vice president in charge of corporate finance, said that GIC was carefully evaluating investment prospects in light of the more difficult business environment in the Gulf region. He defended the organisation against criticism in some banking circles that it was moving too slowly.

"Any organisation that has standards will get accused of being slow," he said. "It's very easy to do some deals quickly, then in a couple of years they may turn questionable."

Brother profit down 20% at midway

By Yoko Shibata in Tokyo

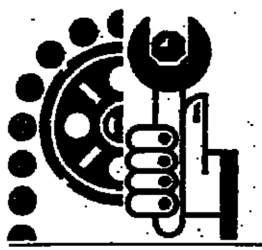
BROTHER INDUSTRIES, the big Japanese manufacturer of sewing machines, has reported a 20.6 per cent drop in pre-tax profits to Y2.93bn ($20m) for the half year ended in May, compared to the same period of the previous year. Net profits were Y1.8bn, down 8 per cent, and the interim dividend is unchanged at Y5 per share.

The poor earnings performance was attributed to deteriorating export profitability as a result of the yen's rise which outweighed the favourable effects of rationalisation efforts.

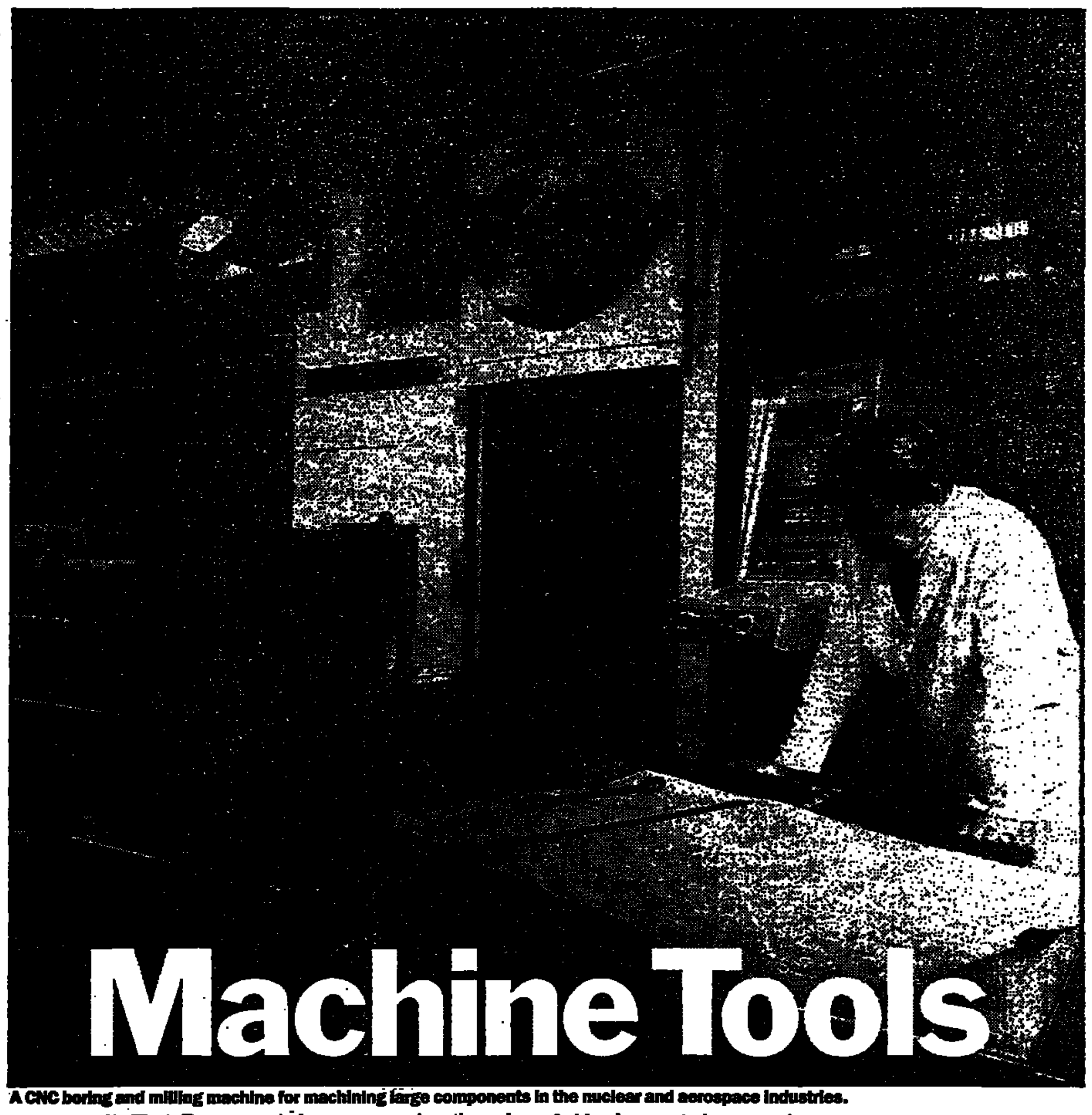
Interim sales rose by 0.3 per cent to Y79.3bn. Domestic sales of all products declined other than household electrical appliances. However, export sales of sewing machines for industrial use and high-speed printers fared well.

For the year as a whole, Brother projects pre-tax profits and net profits of Y5.4bn and Y3.1bn respectively. The prediction was made on the assumption that the yen's exchange rate will average 140 to the dollar and that the company continues to operate in a tough business environment in the second half.

FINANCIAL TIMES SURVEY



European makers have fought back against advances by the Japanese and now sell more than one-third of world production, while Japanese makers themselves have set up manufacturing sites in the US. The emergence of low-cost producers in the Far East will make it difficult for some Western companies to survive in this $29bn market, as Nick Garnett reports.



Machine Tools

A CNC boring and milling machine for machining large components in the nuclear and aerospace industries.

CONTENTS

Battles for market share

MACHINE TOOL building has always been one of the toughest businesses to work in but this reputation has probably never been more justified than during the past half decade. In that period a series of convulsions have shaken the sector, exposing half a dozen clear trends that are still working through this industry.

From the end of the 1970s the Japanese rushed on to the world stage with high-volume, standardised computer numerical control machines. In the process they took over a few years ago as the biggest producing nation, pushing many competitors to one side and capturing almost a quarter of world sales by value last year. The global market for machine tools in 1986 totalled $29bn, according to figures from the magazine American Machinist.

However, a combination of the high yen and a weak domestic market is now hurting the Japanese. Some of Japan's top ten manufacturers are making losses and shedding labour while a number of companies, like Okuma, a big machine builder, and Fanuc, the controls and systems group, have reported declining sales.

The past few years have also underlined the tremendous resilience of the West German machine tool industry. Unlike Japan, where only one of the biggest ten manufacturers is privately owned, the Germans still rely on many small and frequently family-owned companies.

Supported by the banks during the lean years of recession, the German industry has stood its ground, taking almost 18 per cent of world sales last year. Companies such as Deckel and Maho, Traub and Scharmann are still technological leaders and Germany is the world's largest producer of many types of machines, clawing back some ground lost to the Japanese last year.

At the same time the rest of Western Europe, in particular the Swiss and Italians, have defended themselves well while weaker producers such as the UK and France have at least held their ground since the shake-outs of the early 1980s.

As a result, West European producers accounted for well over a third of world production last year, up on 1985 and more than the Continent's proportion of world machine tool consumption.

The counterbalance to the huge expansion of the Japanese industry has been the remarkable decline of the US as a machine tool producer.

Between 1981 and 1983 US machine tool shipments slumped by more than half to little more than $2bn and have not climbed much since. During the past six years the US share of the world market has slipped from 20 per cent to less than 10 per cent.

The US was not ready for the Japanese onslaught at the turn of the decade just as American industry was going through a massive retooling programme. Cumbersome corporations failed to act quickly or stick the course with new hardware and controls, many of them invented ironically in the US. The Japanese eventually secured about three quarters of the US market for machining centres and lathes.

Many US companies such as Lodge and Shipley and Jones and Lamson, disappeared entirely from the machine tool business. Others gradually lost their technological independence by signing up licensing arrangements with a string of Japanese producers.

The Japanese themselves have set up a series of production facilities in the US. Two of them, Yamazaki and Makino Leblond, seem to have genuine manufacturing sites there.

In spite of these changes, big US producers such as Cross and Trecker, Cincinnati and, in controls, Allen Bradley, remain and seem determined to stay.

Cincinnati is one company that has been reducing its direct dependence on metal cutting machine tools turning to such products as plastics machinery.

But the weakness of the US position resulted at the end of last year in a range of "voluntary" restrictions against the Japanese and Taiwanese, Germans and Swiss. For some types of machines though that protection has come too late for American producers.

Following the introduction of those curbs, Cecimo, the federation of European machine tool builders, has become nervous that the Japanese will make another determined push into European markets. Last month, it asked the EC Commission to tighten up monitoring of Japanese imports which are already subject to various forms of quota.

Japanese producers already have big shares of sales for standard CNC machines in many domestic European markets, including that of West Germany. Yamazaki has also just opened a large lathe and machining centre plant in the UK while Toyoda has increased its majority shareholding in Ernault-Toyoda of France.

Another trend has been the emergence of some very low cost producers. The South Koreans have not turned out so far to be the threat everyone thought they would be but the Taiwanese are making waves at the cheap low technology end of both CNC and non-CNC machines. The conventional view is that Western companies that remain locked in this area could be wiped out.

A few other smaller themes have been in play. For example parts of the UK industry have been changing ownership in a move away from big companies and towards, among other things, management buy-outs.

Two big questions facing the industry concern technological development and the likely course of demand over the next few years.

Manufacturers of big factory automation systems, caught in a wave of over-confidence about the benefits and growth potential of such systems, lost a lot of money in the early 1980s and are still struggling to make ends meet.

However, there has been a steady growth in the development of manufacturing cells. At the small end of the range this involves the supply of just one machine tool fitted out with equipment like an automatic pallet changer and which can run virtually unmanned. More complex cells incorporate groupings of machines, sometimes linked by a materials handling system.

A number of companies, including TI and KTM in the UK, now obtain a substantial proportion of their sales from such systems.

The conventional view is that this move to more customised systems could put the Japanese in a weaker position in the European market.

The supply of big factory systems has also recovered somewhat and there are equipment suppliers now making money in it. A few machine tool companies such as Gildemeister of West Germany are acting as turnkey contractors but a big battle in this field could be looming between machine tool suppliers and electronics companies like Siemens and Honeywell which are moving quickly into this field.

However, the overall picture for machine tool demand does not look too healthy. A report by the Boston Consulting Group commissioned by West German machine tool makers this year suggests that demand will remain fairly static until at least the early 1990s.

Machine tool makers are not in for an easy time.

Owners change in UK

THE UK machine tool industry came out of the recession of the early 1980s in better shape than Government Ministers had predicted.

Instead of dying on its feet, it emerged in 1984 with still large parts of it intact, and enjoyed—along with most of the rest of the European industry—a period of reasonable profits.

The UK though remains tiny as a machine tool builder compared with West Germany and it has long been overtaken by Italy and Switzerland in terms of dollar sales.

Another long and deep downturn in economic activity would probably tip more companies over the brink. Statistics from the Machine Tool Trades Association indicate that imports took more than 50 per cent of the UK market last year for the first time since 1982.

Many companies too have suffered a substantial fall-off in orders during the first half of 1987 in marked contrast to what the overall indicators for the UK economy appear to show.

However, some machine tool makers are doing very well indeed and a series of significant changes, some of them perhaps beneficial, have rolled through the industry during the past year or two.

These include a series of shifts in ownership, the major trend of which has been to weaken the hold of some of the larger companies, partly by slipping more capacity into the hands of managers through buy-outs.

The arrival of Yamakazi as a machine tool builder in the UK with a £35m lathe and machining centre plant in Worcester has been another significant development.

This has spread some unease among British companies making competing products even though the Japanese company intends to export 80 per cent of its output—mainly to mainland

Continued on page 4

The US

In a tailspin despite quotas

IF MACHINE TOOL building were really a strategic industry essential for a nation's military security—as President Ronald Reagan determined last year when he decided to offer the US industry protective import quotas—then America's defences would be in a sorry state today.

A year after the imposition of voluntary export restraints by America's main foreign suppliers, on the grounds that the $3bn industry was "a small but vital component of the US defence base," machine tool building is still in tailspin and the ground is nowhere in sight.

Machine tool orders in 1986 were worth only $2.1bn for the US domestic industry, compared with $2.5bn in 1985 and as much as $5.6bn at the economic peak of 1979. Shipments, at $2.6bn, were only marginally better last year than the $2.5bn in 1985. The industry as a whole has made no profit since 1982, and prospects for the immediate future seem little better, if at all.

Admittedly, President Reagan's import restraints came into effect only from January this year. These agreements restrict shipments from Japan, Taiwan, West Germany and Switzerland—the top four suppliers, which accounted for 77 per cent of all imports last year. Despite the restraints, however, early indications for 1987 suggest as bleak an outlook for the US industry after the restraints as in the year before.

US Machine Tool Shipments & Orders ($m)

	Domestic shipments	Foreign shipments	Total shipments	Domestic net new orders	Foreign net new orders	Total net new orders
1980	4,084	608	4,692	4,239	515	4,754
1981	4.377	719	5,096	2,563	382	2,945
1982	3.198	406	3,604	1,261	236	1,498
1983	1.630	215	1,845	1,558	138	1,696
1984	2.093	193	2,286	2,631	285	2,916
1985	2.291	254	2,545	2,261	266	2,529
1986	2,306	272	2,575	1,883	242	2,125

Source: NMTBA. Research: Rivka Nachoma.

While the voluntary restraint agreements will probably succeed in confining the foreign tool suppliers to the 40 per cent of the US market which they have won for themselves in recent years, they will do nothing about the industry's three fundamental problems: inadequate demand for machine tools; uncompetitiveness at the low end of the market; and the financial weakness and consequent lack of commitment to the industry by many of the US tool builders themselves.

In the seven months to last April, US machine tool orders were down 22 per cent compared with the already depressed levels of the previous year. The tax reform of January 1987 undoubtedly has taken its toll, but even if the hoped-for pick-up in investment materialises in the second half of this year, as the effects of tax reform wear off, most tool builders expect 1987 to be as bad a year as 1986.

Looking beyond, there is only a glimmer of hope on the horizon. The devaluation of the dollar, if it is sustained, has been doubly beneficial for machine tools, like other US capital goods industries.

The direct benefit of the cheaper dollar has been to make US tools more competitive against Japanese and European products. So far, this has been evidenced more in the international market than in the US itself.

In Europe particularly, Cincinnati Milacron and Cross & Trecker, the two large companies which now dominate US machine tool production, have both reported significant improvements in performance, especially at the high end of the market.

According to Mr Don Shively, Cincinnati Milacron's executive vice-president, the company is now regularly winning contracts in the UK, Germany, Italy and France, where it had suffered almost nothing but setbacks since 1982.

Mr Richard Lindgren, President of Cross & Trecker, reported in June that his company's total orders were now 7 per cent higher than a year ago, entirely because of higher European demand, which had more than offset "modestly lower" domestic orders.

However, with European economies again turning sluggish, the industry's main hopes for next year now seem to rest on the second—indirect—benefit of the lower dollar. The cheaper currency is leading to a major shift in the structure of the US economy.

If there is to be any improvement in the US trade deficit, then most of the growth in the coming years will have to be in manufacturing, not in services, as in the past. If this transformation occurs, then historic experience suggests a major upturn in capital spending, which should benefit machine tool builders more than most.

Unfortunately, there are three big caveats in this analysis. The first is that the dollar may not yet have fallen far enough to prompt this transformation.

The second is that the change in the balance of US economic growth may be insufficient to compensate for the decline in the overall growth rate if, as many forecasters expect, the US begins to move into a recession some time within the next two or three years.

The third problem is that even the manufacturing sectors of the US economy are unlikely ever again to be as "machine intensive" as they have been in the past. Electronics, new materials, and advanced manufacturing processes are all eating into the market for conventional metal cutting and forming equipment, however far the dollar falls and however strongly the manufacturing sector rebounds.

It is this final argument, more than any other, that accounts for the fatalism which is so evident in the US machine tool industry. In fact, only Cross & Trecker of the major companies seems determined to devote itself predominantly to machine tool building of the traditional kind.

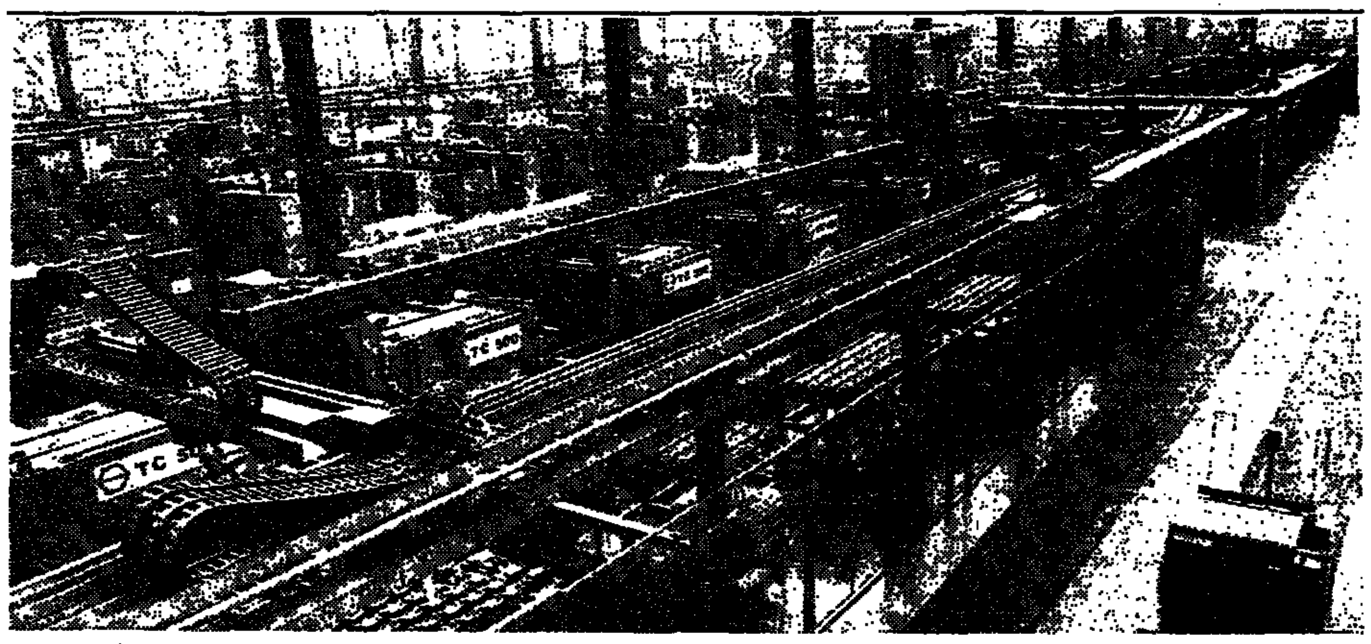
It has now overtaken Cincinnati Milacron as America's largest conventional machine tool builder by putting money behind its commitment to the industry and buying up dozens of the small companies which have been put on the market by their distressed owners in the past five years.

Other large builders have either talked of abandoning the industry altogether, like Acme Cleveland, or have attempted to follow the widely-publicised and generally successful lead of Cincinnati Milacron, diversifying out of their dependence on metalworking and moving into related industries, such as development of new materials and the machines required to handle them, as well as electronic controls, robotics and automation.

Another route to salvation, attempted by most of the major companies from Milacron to the smallest job shops, has been to manufacture custom-made, high-value machines in very close co-operation with their industrial clients, becoming more like sub-contractors than merchant suppliers.

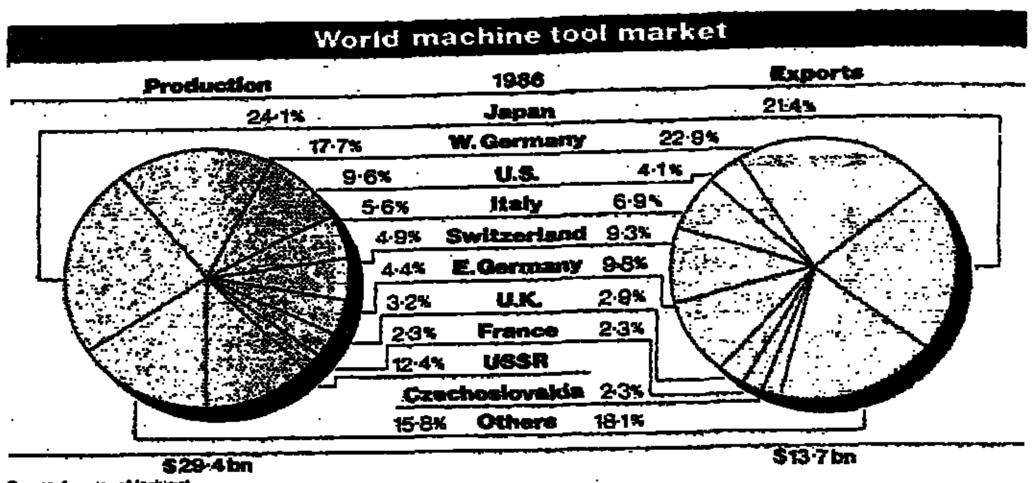
But when it comes to the high-volume standardised machine tool market, the US manufacturers appear to have been permanently damaged by their experiences of the past five years. With or without trade protection, whether their services are vital to the national defence or not, US machine tool builders are never again likely to dominate the world markets in the way they did only a decade or two ago.

Anatole Kaletsky



A 12-machine FMS installation for making gearbox and differential housings for Golf cars at Volkswagen's Kassel plant

World machine tool market



Source: American Machinist

Japan

Export body blow for world leader

JAPAN'S machine tool industry is being buffeted from all sides. The lines on the charts in company offices throughout the country are all pointing downwards, and optimism early this year about an upturn has become harder to find.

The Japanese industry was riding high in the early 1980s—dominating world markets in many key sectors, especially computer numerically controlled (CNC) lathes and machining centres. Output rose to a record Y1 trillion in 1985 and companies made profits at undreamed of levels.

In 1986, order inflows plunged as both domestic and overseas customers scaled back their purchases. For the foreign customers, it was Japan's high prices that drove them away. Meanwhile, Japanese customers were suffering from a slump in demand for their products, and so they did not need new machine tools.

Then, in November last year, the industry suffered a body blow in its key export market when the Japanese government agreed to voluntarily curb exports to the US. In 1986, shipments to the US were worth Y144.8bn, almost half of the industry's total exports of Y363.6bn.

Under the voluntary restraint agreement, Japan agreed to reduce its export of machining centres, CNC lathes, and CNC turret punch presses and shearing machines over a five-year period starting this year. NC lathes and machine centres account for about 75 per cent of machine tool exports to the US.

Last year, according to the Japan Machine Tool Builders Association, machine tool orders fell 23.7 per cent from a year earlier to less than L770bn—one of the worst years on record. Some analysts are forecasting a further decline this year. The JMTBA predicts that profits will remain depressed because of declining sales and rising overseas inventories.

Japanese companies' inventories have increased in the US because it is said that Japanese companies rushed to export to the US ahead of the imposition of the voluntary restraint agreement. The number of units exported to the US last year jumped from nearly 142,500 to 269,690. Industry officials worry that the build up of stocks will make it harder to raise prices, even if demand recovers and the yen stabilises.

The JMTBA says that in the first quarter of this year the decline in production and exports continued apace. In March, for example, exports were down 25 per cent on the same period in the previous year while production fell 26 per cent. Officials point out that the decline in orders has been greater in the Japanese market—by 25 per cent—than in the overseas market where there has been a drop of 11 per cent.

The industry is well aware that it has reached a turning point. One industry analyst said: "They know they will have to alter their strategy and move from lathes and machining centres to more advanced products such as flexible machining centres, high precision machinery, electric discharge machines and machines which use lasers."

Industry analysts believe, however, that the Japanese can be competitive in these new areas even if the yen remains high.

Another course for the Japanese manufacturers would be to move production abroad to get round the constraints of the voluntary agreement (although the agreement restrains imports of knocked down kits as well as assembled machines).

Many already have links abroad, principally in the US. Among them are Yamazaki, Makino Milling, Okuma Machinery Works and Amada.

As for Western Europe, there may be some links between Japanese and European manufacturers, the officials say, but they point out that the European market to which exports have been rising is no substitute for the US. Western Europe accounted for exports of Y77.6bn last year, less than half that of the US in value terms.

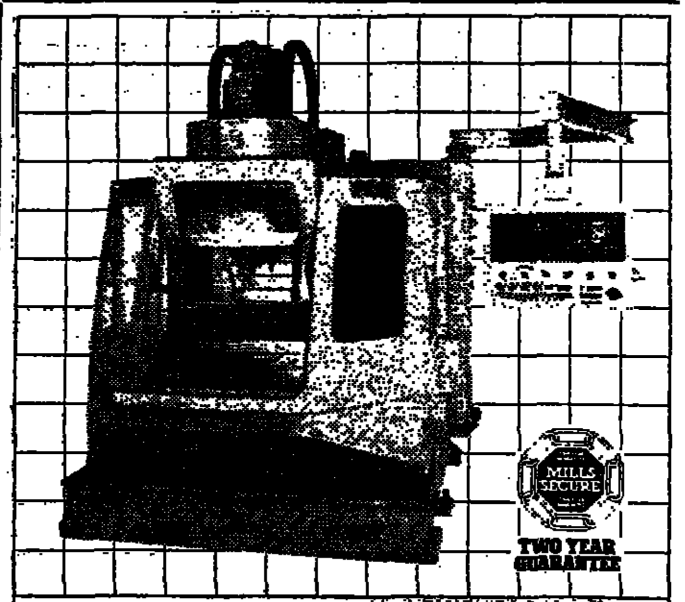
In the Far East, South Korea's potential as a long-term market is believed to be limited as that country becomes increasingly sophisticated and self-sufficient in machinery production. Last year, Japan's machine tool exports to Korea amounted to Y30bn which was almost matched by shipments to China of Y26.6bn.

The Korean won is tied to the dollar so Japanese imports have become much more expensive. In addition, Korea is anxious to reduce its bilateral trade deficit and its technological dependence on the Japanese.

The Japanese machine tool industry therefore faces a challenge—soft markets at home and abroad and the erosion of margins.

One of the industry's strengths is the size and competitiveness of the Japanese market. The hope is that domestic demand will recover and the yen will stabilise in which case although the face of the industry will not have changed dramatically it will have learnt many lessons.

Bob Vincent



Taiwan

Turning to Europe

TAIWAN'S MACHINE tool manufacturers are hindered but not disheartened by import quotas imposed by the US, its largest export market.

Those quotas limit Taiwanese companies to minuscule shares of the American market in the potentially high-growth areas of conventional and computer-controlled lathes, milling machines and machining centres.

In response to the quotas, which the US imposed just as Taiwanese companies were beginning to establish their names in that market, they have started turning increasingly to Europe and other areas which they had previously ignored.

James Tsai, an official of the Industrial Economics Research Centre, says that as a result of the curbs on sales to the US, exports to Europe during the first few months of this year rose as much as 35 per cent.

To maintain the rise in exports to Europe, Taiwanese machine tool manufacturers plan to set up branch offices and sponsor exhibitions of their merchandise there in coming months, Mr Tsai says.

Despite the American curbs, the "voluntary restraint agreement" imposed by the US so far has not had any measurable effect on the industry.

Statistics show that during the first quarter of this year, exports, which account for 70 per cent of production, had reached a record 1.75m units. Those exports also included record levels of lathes and machining centres worldwide.

In the four categories covered by restraints, however, exports to the US decreased during the first four months of this year, according to the American Institute in Taiwan (AIT), the unofficial US embassy.

AIT's figures show that Taiwan exported only 304 lathes, 455 milling machines, and 45 machining centres to the US during the period, a sharp decrease over the previous year. AIT quotes industry analysts as predicting that growth will slow further during the second half of the year as effects of the continuing appreciation of the Taiwan dollar and the restraint agreements begin to be felt in Taiwan.

Its projections of "slower growth" for the industry, though, may mean little to people unschooled in the Taiwanese industrial norm of two to three times the growth rates for industry in developed countries.

For example, production value for machine tools rose almost 26 per cent in 1986 to $615m, and it rose a further 37 per cent during the first quarter of this year, despite the American restraints. That rise largely reflects an increase in the value of tools produced, rather than an increase in numbers.

For instance, AIT's data shows a 31 per cent rise in value of lathes shipped during 1986, compared with only a one per cent increase in units. Similarly, the data shows a drop of 10 per cent in lathe production during the first quarter, while the value of shipments rose by 21 per cent.

The value increases reflect an increasing shift to numerically-controlled (NC) tools, especially lathes.

The Government began encouraging the production of computerised tools several years ago, and an estimated 80 companies that have moved into these high-end devices use controllers from such established names as Fanuc (Fujitsu) and Mitsubishi of Japan.

The Government also began encouraging the use of home-grown numerical controllers some years ago. But while two or three organisations — including the Industrial Technology Research Institute, a government think tank — have produced commercial-grade devices, manufacturers are reluctant to incorporate them.

Sound business sense lies behind this: the Japanese control the bulk of the international market for these devices, and their servicing networks extend worldwide: why try to reinvent the wheel? Taiwanese tool manufacturers ask.

Most observers agree that whatever the industry's recent successes in Europe and elsewhere, Taiwan's machine tool builders run a long fourth behind the West Germans and Swiss, the Americans, and the Japanese.

Tied as they are to Japanese controllers for access to the high end, Taiwan's only competitiveness comes from its lower labour costs and its less-expensive castings.

The industry's profits have been lowered considerably by the 25 per cent rise of the new Taiwan dollar against the US dollar, in which most exports are quoted. But manufacturers are "still surviving," according to Mr Casey Chuang, chairman of Taiwan's Machinery Industries Association.

Robert King

South Korea

Slower progress

SOUTH KOREA'S machine tool builders have not really presented the rest of the world with the threat they promised in the early 1980s.

Expansion of the country's machine tool industry has been consistently slower than predicted by the Seoul Government which oversees and shapes the Korean economy.

The industry's growth last year was weaker than the planned target set in 1985, leaving the country last year about 20th in the world machine tool league table with sales of $350m, according to Korea's Ministry of Trade and Industry. More than half of the $680m domestic machine tool demand was met in 1986 by imported machinery.

Though volumes have not been high, however, the low prices of Korean products have tended to disturb prices at the low end of the technology range in open markets like that of the UK.

The Korean government again predicted last year that there would be substantial growth in 1987. It suggested that overall sales would jump to $450m and exports would double from last year's $27m. That seems to be a tall order.

The Koreans have concentrated on basic milling machines and standard CNC machining centres and to a lesser extent lathes and boring machines.

The Koreans learned the business through licence agreements with established Japanese companies. They are now doing their own in-house designs and more sophisticated machines are beginning to appear.

The Korean government is trying to "Koreanise" machine tool components and has reduced tariffs on some raw materials including special metals used in tool manufacture.

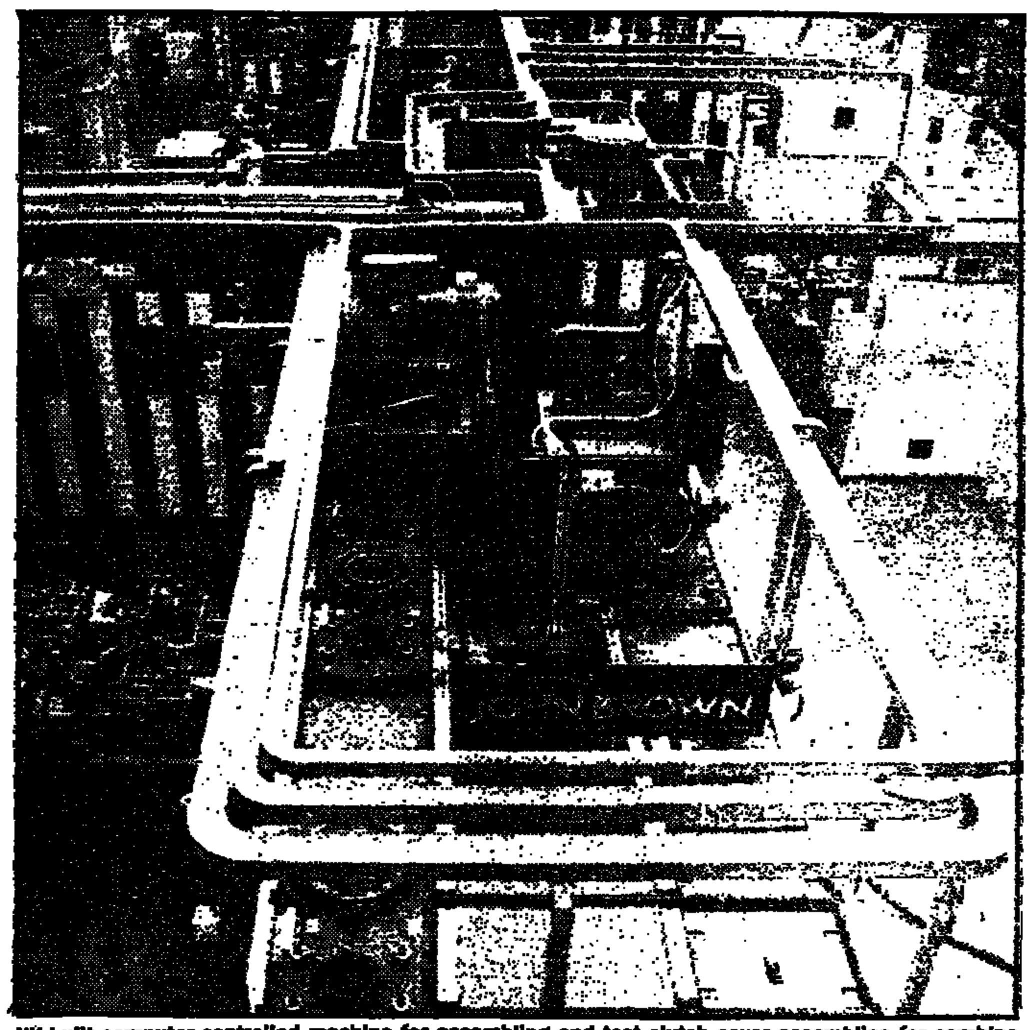
Some 110 companies are listed as machine tool businesses but many of these are very tiny and little more than component makers. This number might also include some handtool manufacturers. However, a number of companies, including Tongil and Swachon, are increasing their exports of stand-alone machine tools.

Daewoo says it produces about 1,000 machines a year at its Changwon plant, 250 miles south of Seoul.

The company's machine tool sales last year totalled $43m of which just over a third by value were exported. Daewoo uses Fanuc controllers on its machines. It is trying to develop its own CNC controller but concedes that this is at least three to five years away.

Tongil is also trying to push further into European markets and suggests that its target is to sell about $13m in machining centres and milling machines in Europe by next year.

Nick Garnett



UK-built computer-controlled machine for assembling and test clutch cover assemblies for combine harvesters made in the Soviet Union

W. Germany

Steady growth resumes

World machine tools industry—1986

	Production DMm	Production % share	Exports DMm	Exports % share
Japan	15.4	24.2	6.4	21.4
W. Germany	11.3	17.8	6.8	22.9
Soviet Union	7.9	12.5	0.5	1.9
US	6.1	9.7	1.2	4.1
Italy	3.6	5.6	2.1	6.9
Switzerland	3.1	4.9	2.8	9.4
E. Germany	2.8	4.4	2.9	9.8
UK	1.6	2.5	2.8	2.7
France	1.5	2.4	2.7	2.3
Czechoslovakia	0.8	1.3	2.2	2.3
Brazil	0.8	1.3	0.08	0.3
Spain	0.8	1.3	0.4	1.4
China	0.8	1.3	0.02	0.1

US$ converted to DM
Source: American Machinist

AFTER SOME years of uncertainty when considerable rationalisation took place, manufacturers of machine tools in West Germany are beginning to see steady growth.

Since the early 1980s, the West German machine tool market has been somewhat unstable. Production fell by 11 per cent in both 1981 and 1982 compared with the peak levels attained in 1980. In 1983, a further 9 per cent decline in the industry took place. 1984 saw the beginnings of a recovery though this was slowed down by the metal workers strike that year.

Today, after an exceptional year in 1985, more stable growth is emerging though the strength of the Deutschemark is still a critical factor.

West Germany is the second largest producer of machine tools in the world after Japan. It is the largest exporter and the fourth-largest consumer.

The industry employs about 93,000 people in 425 mainly small to medium-sized companies. The total value production rose from DM11bn in 1985 to DM13.2bn in 1986. This year it is expected to rise to DM14.1bn. The proportion of exports dropped slightly between 1985 and 1986 from 62.4 per cent to about 60 per cent.

Two machine tool builders can be put in the volume production class: Deckel and Maho. The largest is Deckel which had a turnover of DM600m in 1986 and is currently producing 3,000 milling machines per year (85 per cent of which are computer-controlled), 140 machining centres, and 155 spark-erosion die sinkers. The total workforce is 2,300.

The second largest manufacturer is Maho. Maho's results reflect the increasing stability of the market, the company says. The current economy in Europe is, however, generally very slow, it says, because of the weakness of the dollar. This is affecting the level of investment in machine tools by manufacturers who would normally expect to export to the US in volume. For example, automotive manufacturers like Daimler-Benz and Volkswagen who are major customers of machine tools are being affected in this way.

Maho's financial year ended on June 30. In the year, June 1985 to June 1986, the company sold DM344m worth of machine tools, of which 56 per cent were exported. This represented a growth of 30 per cent over the previous year.

Looking to next year, Maho forecasts growth of less than 10 per cent. The main problem, it says, is the weakness of the dollar.

Significant contributions to the market for machining centres and CNC milling machines are also made by Heller, Huller Hille, Scharmann and Fritz Werner. Gildemeister and Index are the major CNC lathe manufacturers with Traub coming up close behind. The only manufacturer of any significant size of machines for sheet metal processing is Trumpf.

The total value of machines imported by Germany is growing. In 1985, machines to the value of DM2,854.2m were imported and this figure had grown to DM3,478.2m in 1986, a growth of 22 per cent. Exports, however, are three times the value of imports, and also growing. The 1985 figure was DM9,403.3m, and in 1986, exports valued DM10,947.9m.

Japanese imports are certainly having some effect on parts of the West German machine tool market. The value of imports from Japan rose by almost 40 per cent compared with the general 22 per cent growth in machine tool imports.

Japanese lathes and drilling and boring machines are showing particular increases.

Anna Kochan

Anna Kochan is Editor of Manufacturing Automation News.

Automation

Standard systems on offer

THE NUMBER of large custom-built flexible manufacturing systems is increasing very slowly after an initial surge of enthusiasm four or five years ago. Today, the standard flexible machining cell is regarded as a much better approach.

The full-scale FMS is too big a bite for most to chew in one go. Feedback from those pioneering companies which made extravagant investments in this state-of-the-art technology indicate that though the advantages are great, the problems are enormous. The sophistication of the software developed is such that commissioning often takes longer than expected and training of personnel to use it is a major task.

Not least of the problems is the economic justification. Few companies have made the investment on conventional calculation of economic payback. Most just know that they have to have the technology to survive. Such an approach is unacceptable to the majority of manufacturers and for them the standard cell approach which can be built up step-by-step into a full-scale system is highly preferable.

Two companies stand out as having made most impact on the FMS market place in an international sense. Both are West German. One is Scharmann which undoubtedly maintains a worldwide lead in the supply of custom-built FMS. The other is Fritz Werner, the first machine tool manufacturer to develop a standard flexible solution. The Fritz Werner concept was launched at the European Machine Tool Show—EMO—in 1983 since when about 60 units have been sold worldwide.

Custom-built FMS places heavy demands on the user/supplier relationship. For this reason few suppliers have been successful outside the limited area in which they are based. No main suppliers stand out in Japan as companies there tend to mastermind their own installations.

The machine tool builders Hitachi Seiki, Makino, and Yamazaki have all built impressive systems in their own plants. Yamazaki now also has impressive machine tool factories in the US and the UK. Within the confines of North America, Ingersoll Milling Machine Co, Cincinnati Milacron, White Sunstrand, and Kearney & Trecker (K&T) are the main suppliers although K&T has sold a couple of installations in the UK.

Within the UK, Kearney & Trecker Marwin (KTM) is reasonably active. In the combined region of France and Italy, Mandelli, Comau and Renault Automation are the leaders. Germany's major suppliers are Scharman, Hulle Hiller, Heller, and Burkhardt & Weber.

The company which has managed to sell custom-built FMS on an international scale is Scharmann, Monchengladbach, West Germany. The company employs 750 and had a turnover of DM 150m in 1986, of which 60 per cent was exported. The standard Scharmann products are a range of medium-large, computer-controlled machining centres and ram borers but systems accounted for 60 per cent of the total turnover in 1986.

Almost every Scharmann system is different. All use one of the range of standard Scharmann machining centres but the tool and workpiece handling systems are different and each system has a specially written software package to run it.

Mr Helmut Maschke, the company's sales manager, bases his marketing tactics on systems which require individualistic and sophisticated engineering. He sees the standard solution as an area that is becoming highly competitive and one that will be targetted by the Japanese machine tool builders.

Scharmann has supplied FMS in Belgium, Switzerland, Austria, the UK, the US and, of course, West Germany. Altogether more than 15 systems have or are being installed, the largest of which is probably a $15m system now being implemented by Caterpillar's Lafayette plant in the US.

Fritz Werner is a similar size to Scharmann. It employs about 800 and had a turnover of DM 180m in 1986. Its reputation as a machine tool manufacturer is based on its small-medium milling machines.

When the standard flexible cell was introduced in 1983, the company anticipated a 50-50 split in its future business between stand-alone machines and FMS but this has been far exceeded. Today it is thought that 80 per cent of the machines produced are sold as part of a multi-machine system.

While the majority of sales are in Germany, Fritz-Werner has also sold standard FMS to the UK, US, Soviet Union, Bulgaria, China, France, Switzerland, Austria, Netherlands, Denmark and Norway.

All the equipment is standard, even the cell controller which is Werner's own product, and the software to run it. Some 50 per cent of installations include only two machines, like the one at Mirrlees Blackstone in the UK, but it is possible to link more as at Volkswagen where there are 12.

Essentially, the machining tools are arranged in a line. Behind the line and parallel to it is a tool store and rail-guided robot carrier for tool change.

When new tools are required by the machines because of new work being machined or because existing tools have become worn, the new tools can be transferred automatically from the store to the machines and the old ones removed without interrupting the machining cycle.

Fritz Werner is the only supplier of a standard cell with automatic tool change. Yamazaki's standard solution uses storage racking for pallets and a stacker crane to feed work directly to and from the machining centres

It claims to have sold 30 of these systems—10 in Japan, 10 in Europe and 10 in the US. KTM's standard cell is more like the Fritz Werner one but without the tool change option. Jaguar Cars is one of KTM's customers for it.

The majority of FMS applications to date have been for machining prismatic parts—those that require mainly milling and boring operations. The applications of linked turning centres have so far been very limited in their flexibility because of the difficulties of holding a large variety of diameters of workpieces both in the machines and in the load/unload devices, and the problem of automatic tool change.

A few manufacturers are beginning to offer solutions in this area. And according to Mr Clive Haxby, general manager of SMG, the UK subsidiary of the SMG Swedish Machine Company, for customers demanding faster payback and high utilisation there is no alternative but to install a fully-flexible automated turning system.

The main difference between most turning operations and most milling/boring operations is in the cycle time. The machining cycle on turned parts is very short—usually around two minutes and rarely more than five—so time can easily be lost in the changeover from one part to the next.

SMG and Gildemeister of West Germany have both developed fully-flexible automatic turning solutions though so far no customers have opted for all the flexibility available. Gildemeister must be optimistic about developing business in the systems field as it has recently formed a specialist team for supplying turnkey FMS.

While both Gildemeister and SMG use a gantry-type loading system in their turning cells, the Yamazaki approach is to equip the machines with front-loading robots, a method which makes it difficult for operators to intervene in the event of a failure.

The new Yamazaki machine tool factory in Worcester is one of the most sophisticated examples of flexible automated turning. Three turning centres are each equipped with the robot and the robot is fitted with a gripper changing system for handling different parts.

The machines each have a chuck jaw changing system with 15 different jaws and an automatic tool change system with 80 tools each. It will be interesting to see whether this level of sophistication has a role in the marketplace yet.

Anna Kochan

Anna Kochan is Editor of Manufacturing Automation News.

Fitting components to a pallet by remote control during production at Yamazaki's Worcester, UK, plant

The UK

Upturn as owners change

Continued from page 1

Europe but also to North America and Japan.

The relative stability, and in some cases growth, of UK producers of machining centres has also been a marked characteristic of the past few years. During this period they have tended to recapture some of the market for these ubiquitous machines that had been lost to imports.

Companies like TI with its Matrix machining centres, Bridgeport, KTM and Wadkin—the latter's sales have been rising this year against the rest of the trend in the industry—are largely responsible for this.

In this market sector too, Beaver, a Norwich-based family firm which carries out a large amount of its own component manufacturing including ballscrews and circuit boards, has emerged on the scene strongly. It has moved into the lathe making and is building an additional factory in Peterborough.

Some companies have moved into production systems. This is especially true of KTM, the Brighton-based Vickers subsidiary. Of its £21m turnover last year about three-quarters came from machining cells and systems, including the horizontal and vertical machining centres that it makes to go with them. TI says about a third of its sales also derive directly from cell and systems sales.

A broad spread of companies have also been living happily in more specialist niche markets. Machine tool makers bemoan the relative weakness of vehicle manufacturing in the UK in comparison with the enormous technological synergy and market the big West German auto industry provides.

This however has not prevented a company like Jones and Shipman—whose very specialist machines are used in car building among other industries—from operating with a very healthy order book.

The last 18 months though have marked some further contraction in capacity with TI shutting its plant in the north-east and Cincinatti closing its Biggleswade facility to concentrate activities in Birmingham.

Some of the most interesting developments concern the shifts in ownership. This has prompted observers to suggest that the ownership structure of the UK industry might revert to that of the immediate post-war years. That was when much of the industry was retained in family or very small company ownership before the emergence of some new and very large groupings.

This trend should perhaps not be exaggerated. Medium or large-sized US and British companies still control large slices of the industry. These companies include the 600 Group with its Colchester and TS Harrison lathe businesses; B. Elliott whose interests include Butler Newall in Halifax; TI itself with its Matrix machining centres and Churchill lathes, together with Giddings and Lewis and Cincinnati.

Yet there has been a move away from large group ownership. This trend was actually in place during the 1970s and early 1980s with the long decline and eventual collapse of Alfred Herbert and Staveley's policy of shedding most of its machine tool businesses.

As part of that trend to smaller companies, Asquith was reformed as a separate small company in Halifax in 1981 and Kearns Richards in Altrincham, Manchester was the subject of a management buy-out three years later.

The last year has seen a real acceleration in this trend. Staveley has removed itself from machine tool building with the sale of its Lapointe broaching machine company to Marbaix.

Ex-Cell-O's European machine tool activities, which includes a plant at Leicester, have been purchased in a buy-out lead by the group's former West German managers. Bridgeport has also been the subject of a management buy-out from Textron, its US parent. The new business has plants in Leicester and Bridlington as well as in the US.

In the same vein the US company White Consolidated, which was purchased last year by Electrolux of Sweden, has closed down production in the UK, selling its plant to British managers who have renamed the business BSA Tools.

PGM Ballscrews, part of the Silver Mines group of Ireland, has also purchased W. E. Sykes, the UK's sole remaining manufacturer of gear-shaping machines, which the 600 Group was on the point of closing.

Nick Garnett

UK MACHINE TOOLS INDUSTRY

Trade trends at current prices—1975-1986 (£m)

	Sales of UK Goods	Exports	as % of production	Imports	as % of consumption	Implied Consumption	Crude Trade Balance
1980	593	282	49	268	47	579	+22
1981	434	281	65	213	58	366	+68
1982	477	273	57	234	53	438	+39
1983	413	210	51	194	49	397	+16
1984	504	226	45	256	48	534	−30
1985	603	266	44	304	47	641	−38
1986	635e	269	42	381	51	747	−112

Sources: Department of Trade and Industry and HM Customs & Excise. e=estimate

Automated installation consisting of a lathe linked by conveyor to a horizontal machining centre

Italy

Sales hope in Rome lobby

ITALY'S MACHINE TOOLS industry is preparing itself for a lacklustre 1987, with exports dropping off slightly and domestic demand rising only modestly.

This cautious approach, embodied in a recent speech by Mr Pierluigi Streparava, president of the machine tools manufacturers' association (UCIMU), is being coupled with a strong lobbying drive in Rome.

Italian machine tools companies hope to persuade the new parliament to approve legislation to stimulate sales by offering tax incentives to small and medium-sized businesses which equip themselves with Italian products.

The nervousness about this year follows a reasonably successful 1986, which saw total sales rise by 13.7 per cent (in current terms) to L2,422bn ($1.8bn), a 6.7 per cent increase in real terms. This increase, although about half the rate of increase achieved in 1985, marked the third consecutive year of sales growth for the Italian industry, which still ranks as the world's fifth-biggest producer.

Much of last year's growth was driven, however, by domestic demand rather than sales abroad. For example, exports rose by just 7 per cent last year, while domestic deliveries were up by more than 25 per cent. On an inflation-adjusted basis Italy's L1,446bn of 1986 exports amounted to a rise of only one percentage point.

The Japanese, despite having a small share of the Italian machine tools market, are nonetheless making headway, as are other foreign manufacturers.

Mr Streparava, who has issued several warnings in the past about the danger of Japanese penetration of European home markets, claimed that Japanese sales in Italy jumped last year by 89 per cent, but he admitted that total Japanese machine tool sales in Italy still amount to less than 3 per cent of consumption.

His claim is that the actual figure is higher because of Italian imports of Japanese products which are "re-exported" from other European countries such as Belgium, Austria, France and the UK.

Imports of machine tools (the category includes flexible manufacturing systems and other factory automation goods) jumped by nearly 38 per cent in 1986, to L517bn. This, in turn, saw the Italian manufacturers' share of their home market decline slightly, from 67.5 per cent in 1985 to 65.4 per cent last year.

The forecast for 1987 calls for an overall sales rise, in real terms, of less than one point, to an estimated L2,530bn. The UCIMU forecasts that exports

A slower increase marks the third consecutive year of sales growth

will decline by 2.6 per cent in real terms and the net trade surplus in this sector is expected to decline from last year's L929bn to L880bn.

Mr Streparava and other leaders in the Italian machine tools industry are keen to help their companies to develop towards computer integrated manufacturing (CIM), but they fear that a drop in demand in 1987 could hinder their capital investment plans. So the lobbyists in Rome want to see approval of Law 212, proposed last month by Mr Franco Piga, the Industry Minister in the caretaker Fanfani government.

The Italians are also setting great store by their hosting this October's European Machine Tool Fair in Milan, hoping that they might generate enough business to halt the predicted slide in exports.

Alan Friedman

REVIVING THE INNER CITIES

The lesson from America

THE AIR is thick with talks of inner city revival, urban regeneration and repairing the worn out urban fabric. The Government makes these problems a focal point of policy. The grants increase. The incentives multiply.

But here is a puzzle. It took five years from the time of the first feasibility study for Blackwell GT's plan to turn a Manchester railway station into the G-Mex exhibition centre to come to fruition. But it only took 18 months, from acquisition of the property to completion, for US Managers Realty to convert an old Harvard mill near Boston into offices.

So it is the disparity in time that is the puzzle. Delegates to the conference, Partnerships in Urban Regeneration, organised in London this week by the Chartered Institute of Public Finance and Accountancy, were staggered at the speed of the mill conversion. Some commented it would take that long to get planning permission in Britain.

The explanation given by John Kusmiersky of US Managers Realty went beyond fast track design and construction. He noted that there was no government intervention, that he was able to sort out the regulatory formalities with the city authorities at one main office, and that he had been able to undertake one stage of the development while preparing the application for the next. So the planning was fast track as well.

It was not so simple for Nicholas Medhurst, the managing director of Blackwell GT. "There was tremendous difficulty initially in trying to explain not just to the local authority but to the Department of Environment what we were seeking to do," he said. Although "once it began to sink in," he added, "they took the ball and ran with it so that eventually they were coming back to us with ideas."

Both men learned lessons from their urban regeneration projects and each gave warnings, both to developers and planners.

Mr Kusmiersky, with 3m square feet already developed and another 3m in the pipeline, argued that the developer needs to have at least one substantial tenant lined up before making a final commitment on a project. He also emphasised that there must be one-stop processing of all approvals by the authorities. Finally, developers need to approach subsidies cautiously—projects should be able to stand up financially on the basis of what tenants are ready to pay, free of subsidy.

For his part, Mr Medhurst established that both the private and public sector parties in any scheme have to state their objectives clearly and make a commitment to total success. Property skills are not sufficient on a large project—a team needs lawyers, accountants, merchant bankers and corporate financiers. Lastly, research has to be well documented and extremely detailed.

Both of these sets of lessons require that the public authorities be precise. The one stresses administration, the other policy objectives.

But there is unease in the British property industry on both these counts, exacerbated by reported rivalries in the Government about the ultimate control of urban revival policy—Environment against Trade and Industry, Environment against Treasury. And at the other end of the spectrum the Government has had to create City Action Teams to try to co-ordinate its policy on the ground.

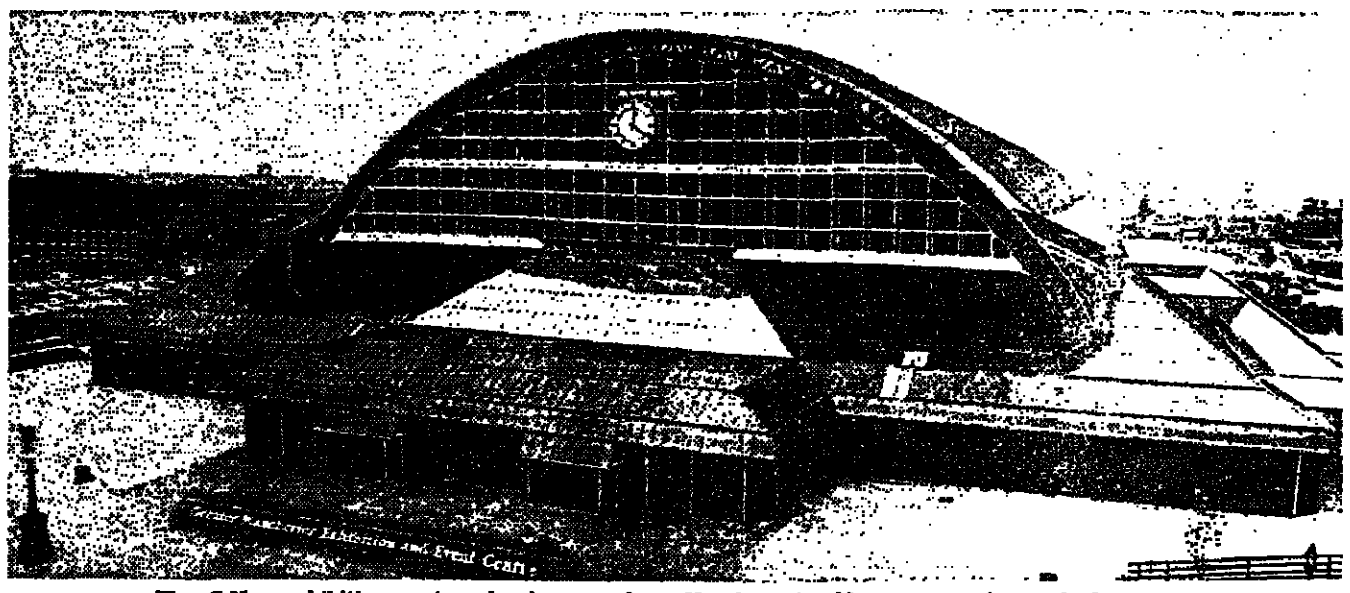
At the same time, however, the inner city revival programme has inevitably been caught up in differences between central Government and some local authorities on planning and housing policy.

In short, confusion has developed which is usually clarified only when controls are moved partially out of the spheres of administrative factions and left to an unelected body like a development corporation.

Meanwhile the system of Government financial support has become more complex with a proliferation of available grants, some going to local authorities, some to the private sector. Thus partnership between the private sector and the public sector is available but often involves aggravation in setting it up. And there is a warning here from what has happened in the US.

Linda Frankel, president of the Council for Economic Action, Boston, and James Howell, the chief economist at the Bank of Boston, have watched urban revival taking place on their doorstep. They told the London Conference that in the US of the 1980s, partnerships have become panaceas. "Where partnerships invariably fail is when they attempt to be the leading force—that is, acting on the assumption that they can create growth.

"When it comes to creating growth we are led back once again to economic fundamentals. Growth derives from technological innovation and increases in population and income."



The G-Mex exhibition centre: development from Manchester's old central station took five years.

Finding the funds

THE GOVERNMENT has taken what it calls "urban regeneration initiatives in England. The array is somewhat bewildering.

- The Urban Programme Grant is for 57 local authorities with city problems. Budget allocations for 1987-88 is £296m. The local authorities apply for funds to the Department of Environment.
- The Derelict Land Grant is for both local authorities and the private sector who want to reclaim damaged land. Budget allocation for 1987-88 is £81m.
- The Urban Development Grant and the Urban Regeneration Grant have a combined budget allocation for 1987-88 of £30m. Applications for the first go through local authorities which pay 25 per cent. The second is paid direct by the Government to the developer of larger schemes—minimum site 20 acres.

The Government has set up 17 Enterprise Zones—Workington, Tyneside, Hartlepool, Middlesbrough, Wakefield, Glanford, Scunthorpe, north east Lancashire, Salford/Trafford in Manchester, Speke in Liverpool, Telford, Dudley, Rotherham, Corby, Wellingborough, Isle of Dogs in London Docklands and north west Kent. There are 100 per cent building allowances and rates holidays within the zones. The Department of Environment has been assessing their progress and seems unlikely to set up any more.

Then there are development corporations—the originals, London Docklands and Merseyside, are joined by Trafford Park in Manchester, Teesside, Tyne and Wear and the Black Country. More are on the way soon but how many or when is not clear. Their aim is to foster development. They have extensive powers to acquire land, can have planning powers and are financed directly.

The next move planned by the Government is the creation of Simplified Planning Zones to take some of the administration out of the planning process.

Task Forces have been set up by the Government to bring the private and public sectors together to sort out new solutions for old inner city problems. Similar private sector initiatives include The Phoenix Initiative and Business in the Community. They all run parallel to development associations on a regional basis.

PROPERTY ADVERTISING ALSO APPEARS TODAY ON PAGE 14

UK operations lift Davy profits 24% to £20.2m

Davy Corporation's pre-tax profits rose 24 per cent from £16.33m to £20.22m in the year ended March 31 last on turnover which was 20 per cent ahead from £594.2m to £711.8m.

Lord Jellicoe, the chairman, said that this was the third successive year in which significant progress had been made in restoring the profitability of the company. The forward workload at March 31 was at a level similar to that of a year earlier.

The first indications from the merging of the company and A. Monk were encouraging and they were now working together in several areas which included tunnelling, the coal industry and design and building and construction. House-building, at present a small part of Monk's business, would soon be increased.

In addition, Lord Jellicoe said, the merging under one management of Monk's property interests with those of Davy had now been completed and there were expectations of good profits in the future from that activity. Those factors, together with an improving civil engineer order book, suggested a promising future.

The accounts included 29.9 per cent of Monk's results to October 1986 and 100 per cent thereafter. An analysis of pre-tax profit showed that Davy McKee Engineering and Construction improved from £16.28m to £19.57m, with UK companies up from £13.09m to £19.53m, German companies improving from £102,000 to £2.6m but US operations incurring a loss of £2.89m compared with a profit of £2.2m. However, Lord Jellicoe says that prospects for the future were more encouraging.

In manufacturing and service, mechanical handling profits fell back from £1.45m to £966,000, foundries and forges were up from £1.29m to £1.97m and service companies' profits were little changed at £1.9m (£1.87m). In building and civil engineering Monk's contribution rose from £7,000 to £1.35m. Finance and other charges amounted to £5.53m (£4.57m).

Net profits were £14.84m (£12.02m) after tax of £5.38m (£4.31m). Earnings worked through at 15.7p (12.7p).

The total dividend is raised from 4.8p to 6.25p with a final of 4.75p.

● comment

Davy shares rose 20½p to close at 208p yesterday, not because the net profits figure was out of line with brokers' estimates, but because it was achieved despite an unexpected level of losses in the US—£2.9m last year, against £2.2m profit in the year before. Given management's bullish inference that the US ought at least to break even in the current year, analysts felt entirely justified in marking up their forecasts from £24m to perhaps £26m. Even at the closing price, that puts the shares on prospective multiple of approximately ten. Glamourous, the world market for process engineering is not, but the UK's biggest player looks cheap on a yield of over 4 per cent. It's doubtful whether the shares will outperform the market by 26 per cent in the next year, as they have in the last, but as the chairman Earl Jellicoe says, Davy has lost the habit of shooting itself in the foot.

Battle breaks out over Wordplex

By Nikki Tait

A £16m bid battle broke out yesterday over Wordplex, the loss-making word-processor, when Norsk Data, the Norwegian mini-computer manufacturer, topped previously recommended terms offered by Apricot, the Birmingham-based computer group.

The board of Wordplex, which originally backed a refinancing scheme but gave its support to the Apricot bid after this failed to attract sufficient shareholder approval, has now switched its allegiance to the higher Norsk Data terms.

These offer shareholders either one Norsk class B share for every 13.225 Wordplex shares or 155p in cash. With Norsk down ¼ at £20¼ that values each Wordplex at 154p.

The rival Apricot terms offered 130p in cash or a 13 for 10 share swop, worth 139p with Apricot down 8p to 107p yesterday.

Norsk Data, which is based in Oslo and has its shares traded in London, the US and various European bourses aside from Norway, has a market capitalisation of £650m.

Lesterday, in London, the company said it had originally looked at Wordplex nine months ago, but was now entering the battle because it saw scope for integrating products and pushing into the main office automation market in the UK.

Its UK revenues and staffing will double if the bid is successful. The company would also expect to inject an amount similar to the bid price in restoring Wordplex to a healthy position.

Yesterday, Apricot noted the offer and said it was "disappointed" at the turn of events but refused to comment on whether it would be tempted into a higher offer.

Apricot, through its advisers BZW, holds only a small stake Wordplex — around 2.25 per cent.

Wordplex directors, meanwhile, speak for around 3.5 per cent, and County Bank, which is advising Norsk Data, is believed to have bought over 5 per cent of Wordplex through the market yesterday.

Raymond Snoddy looks at Reed's £535m publishing takeover

Getting to grips with the Octopus

MR PAUL HAMLYN, chairman of the Octopus Publishing Group, is very protective of the company he created in 1972 with a capital of £10,000.

"I decided some while ago I had to do something about Octopus. I am 61 years old and the future of Octopus had to be protected," he said.

Mr Hamlyn, who came from Germany as a six-year-old refugee, was speaking yesterday afternoon in the office of his chosen "protector," Reed International, after the creation of the largest British-owned publishing group with a turnover of £1bn.

Although Mr Hamlyn, who had put together the largest independent publishing company in Britain, had blocking control of 50.1 per cent of the Octopus voting shares he wanted to get involved in other publishing areas.

Against a background of northern American takeovers of British publishing interests for ever-rising prices Mr Hamlyn invited himself several weeks ago round to Reed for lunch, settled for morning coffee and talks began on the agreed takeover worth around £535m in cash and shares finalised in the last 36 hours.

The Octopus chairman had watched with alarm the recent auction for Associated Book Publishers where family trustees controlling 36.9 per cent of the company "were not really very interested in the people and much more interested in financial benefit."

Mr Hamlyn was also interested in the strength of Reed and what an enlarged company with a market capitalisation of £3bn could do in the increasingly competitive international publishing market.

Another reason why Mr Hamlyn was looking for a friendly predator was because he says he does not differentiate between leisure and work, has no intention of retiring and will continue to run Octopus with chief executive Mr Ian Irvine.

"I wouldn't have wanted £100m in cash from Read. I don't want to live in Bali," added Mr Hamlyn who will get about £33m in cash and £100m worth of Reed shares from the deal.

His personal and family stake amounts to 34.5 per cent of the company. Mr Hamlyn will take cash for no more than 7m of his 26.7m shares.

For the other shareholders, including BTR with 34.5 per cent, there is the option of nine new ordinary Reed shares for each ten Octopus shares with a cash alternative of 475p for each Octopus share.

Reed is funding the first £178m of the cash alternative from its own resources with the rest coming from the sale of new Reed ordinary shares priced at 528p.

The Octopus chairman will keep the Reed shares for at least two years. It also became clear yesterday that before the Read deal was finalised Mr Hamlyn signed over 10m Octopus shares worth about £50m to a family charitable trust.

In the past the trust had helped people who are disabled or blind and helped to promote the arts.

If Mr Hamlyn's motives are mixed and even a little quixotic, for Reed the takeover was a much more irrestible business for a company which has identified publishing as one of its main future growth areas both in Britain and the US.

"The logic was so clear it was inescapable, if not inevitable," said Mr Peter Davis, chief executive of Reed who used to buy lots of Octopus cookery books when he was deputy managing director of Sainsburys.

Reed believes that Octopus—whose imprints include Heinemann, Hamlyn, Secker and Warburg and Mitchell Beazley—will be a close and complementary fit for its publishing interests.

Reed is the largest legal publisher in the UK through Butterworth and R. R. Bowker

One clear area for future joint development is likely to be the publication of Octopus books linked to some of Reed's large stable of consumer magazines.

Some publishing analysts were rather surprised yesterday at the Reed takeover and wondered how a free-wheeling independent such as Octopus would ultimately fare under the wing of a much larger company.

Few could resist the host of ironies involved in the deal and the fact that a detailed chart would be needed to keep track of the past links between IPC, Reed and Mr Hamlyn who was also for a time joint managing director of Mr Rupert Murdoch's interests in the UK.

In 1964 Mr Hamlyn, for instance, was bought up by the then IPC boss Cecil King to run IPC Books—a company later owned by Reed.

But the greatest irony of all was the Reed decision 18 months ago to divest itself of Hamlyn, a publisher set up by Mr Paul Hamlyn, because it was a general publisher and Reed decided it was not big enough in general publishing to make it worthwhile keeping the company.

At the time Mr Hamyln was able to "buy his name back" for £10m.

Asked yesterday how much Reed was paying to buy Hamlyn back again as part of yesterday's deal, Mr Davis only laughed.

Paul Hamlyn (left), the chairman of Octopus who sought a friendly predator, with Leslie Carpenter, his opposite number at Reed.

Charles Barker expands its corporate side

Charles Barker, the public relations and advertising company, has moved to broaden its corporate PR services with the acquisition announced yesterday of Traverse-Healey & Regester for a maximum consideration of £1.3m.

Traverse-Healy & Regester is a corporate public relations consultancy specialising in issues and crisis management, government and investor relations, and business-to-business PR, with pre-tax profits of £156,000 in 1986.

The acquisition is to be paid for by an intial consideration of £550,000 cash, with the balance payable in cash or shares over two and a half years, depending on profit

"We are broadening the quiver of our PR activities," said Mr Antony Snow, chairman, who described corporate public relations activities as the fastest-growing part of the business.

Bennett & Fountain buys three more companies

BY STEVEN BUTLER

Bennett & Fountain, the fast-growing wholesale and retail electrical goods distributor, yesterday announced the addition of one retail and two wholesale companies to its list of acquisitions, for an aggregate consideration of £4.32m.

The retail acquisition, Berry's (Short Wave), sells televisions and hi-fi equipment and provides maintenance services for business equipment and computer systems from central London premises, with a trading profit of £361,000 on turnover of £2.8m in the year to the end of June 1986.

The £2.12m initial consideration for Berry's is to be satisfied by the issue of 4.51m new ordinary shares, 2.38m to be retained by the vendors for at least 12 months, with the balance to be placed. Further cash payments of up to £1.28m may become payable based on profits.

St Alban's Cables, which trades as Reliance Wholesale Electrical from two sites in St Albans and Rugby, had a trading profit of £67,000 on turnover of £3.9m for the year to the end of May 1986. Pre-tax profits for the 11 months to the end of April this year were £105,000.

Consideration for Reliance is to be £1.50m, satisfied by the issue of 3.19m shares, of which 900,000 are to be retained by the vendors.

Electro, the third acquisition, is an electrical wholesaler in the North-East. Pre-tax profits in the year to the end of March were £140,000. An initial £700,000 payment for the company is to be satisfied by the issue of 1.50m shares, which are to be placed. Further consideration of up to £40,000 is payable depending on profits.

Boots cuts US sales force

BY CLAY HARRIS

Boots, the drugs manufacturer and retailer, stands to save more than $6m (£3.7m) a year through its dismissal of about one-third of its US sales force. The company said yesterday that it expects to begin rehiring sales staff by mid-1988 if US regulators clear several of its new drugs for production.

The redundancies were predicted six weeks ago when Boots announced its results for the year to March. Boots said at the time that the job cuts were needed because Rufen, its anti-rheumatic drugs, was meeting strong price competition, and that Food and Drug Administration registration of Prothiaden, an anti-depressant, had been delayed.

The reduction nevertheless is likely to signal a permanent change in the company's sales approach in the US.

Although about 90 of the 270 sales staff have resigned or been dismissed, none of these were representatives of Flint Laboratories, the drug company which Boots bought from Baxter Travenol in a controversial £400m acquisition last August.

The Flint staff sell directly to hospital doctors, unlike Boots original US sales force, which promotes prescription drugs and generic products to general practitioners. Sales by the former, of products such as Synthroid, a treatment for thyroid deficiency, and Chymodiactin, a treatment for slipped discs, have held up well.

Analysts said yesterday that any new hirings would likely go into the Flint-style operation. Boots was apparently also using the opportunity to improve the quality of its sales force, one said.

Because of US lay and labour practice, Boots does not expect significant outlays for redundancy payments. Each job eliminated would save about $60,000 to $70,000 a year, Mr Terry Steele of Boots said yesterday.

"It would be expensive to keep these people," Mr Steele said, even though Boots expects to employ 300 to 350 US salesmen by the early 1990s.

After initial weakness yesterday morning, Boots shares added 5p to close at 294p.

A family rival to the Ratner jewellery chain

By Philip Coggan

ANOTHER RATNER is building up a jewellery empire—Mr Richard Ratner, a distant relation of the Ratner family that runs the high street jewellery chain.

Owen & Robinson is the vehicle for the ambitions of Mr Richard Ratner, a stockbroker with Kitcat and Aitken. Since he and an associate, Mr Harry Daies, moved into Owen & Robinson in June last year, the company has expanded through the acquisition of Acrogold, a gold jewellery importer, and 55 per cent of F. W. Lawrence Jewellers,

Yesterday the company announced its intention to acquire the rest of F. W. Lawrence and to buy N. Lawrence and H. Lawrence, related family businesses in Croydon and Bromley. Total consideration for the three companies will be £1.01m initially, with potential deferred consideration of up to £1.23m.

Approach to PC on offer

By Janice Warman

Plastic Constructions, the Birmingham-based supplier of anti-pollution and corrosion-resistant equipment, announced that it had received an approach which may lead to an offer for the company.

Mr Ron Cook, finance director, said the board had no further information at this stage.

The group reported a 30 per cent decline in pre-tax profits to £332,610 for the year to January 30 on turnover of £18.72m (£15.64m) after the accelerating fall of the pound increased the cost of imported materials, restricted turnover and reduced profit margins.

Amber Day in talks

Amber Day, the clothing manufacturer and importer, yesterday announced, after a recent upward movement in its share price, that it is having discussions that may lead to an injection of funds into the company.

Last December, a plan to repay arrears on its preference shares was defeated by shareholders who regarded the terms as inadequate. The company has a 23.75 per cent stake in John Kent, the menswear retailer.

Abaco acquisition

Abaco Investments, the acquisitive financial services group, yesterday announced the purchase of another group of estate agents. It is buying J. M. Welch of Great Dunmow and Thaxton Swords and Jenings of Great Dunmow and Saffron Walden.

The initial consideration will be £1.33m, of which £876,000 is in cash and £257,000 paid by the issue of 352,000 Abaco shares at 73p each. Further consideration of up to £267,000 will be payable, dependent on profits.

Watsham's purchase

Watsham's the optical and medical products group, has bought Truro Dental Laboratories for £550,000 in shares. James Capel will buy the shares from the vendors at 202½p, compared with yesterday's market price of 218p, up 3p.

Laidlaw Thomson

Laidlaw Thomson Group announced a rights issue last week and not on July 1 as stated in yesterday's Financial Times.

Triplex doubles size with £26m F Lloyd acquisition

BY MIKE SMITH

Triplex, the fast growing foundries and engineering group, yesterday announced a virtual doubling of its size through the £25.6m acquistiion of fellow Midlands company F. H. Lloyd.

The deal unites two groups which are chaired by company doctor Mr Lewis Robertson. Triplex Lloyd, as the enlarged company is to be called, will have annual sales of about £110m and a market capitalisation of about £51m.

Results announced by both companies yesterday revealed a marked contrast. Triplex said that its pre-tax profits for the year to the end of March were up 60 per cent at £2.06m and that earnings per share were 25 per cent aheal at 11.5p.

F. H. Lloyd's figures for the same period showed a marked deterioration on the previous year. Pre-tax profits fell from £2.1m to £1.8m and after tax earnings declined from 6.6p to 2.2p. The man problem was a slump in profits at the foundries division, previously the group's biggest earner.

Triplex is offering one of its shares for every two in Lloyd or an 85p cash alternative. Shares in Triplex fell 1p yesterday to 214p. Those in Lloyd ended the day at 108p, a shade under their price on Wednesday morning when the board's announcement that it was in merger talks with an unnamed party prompted an 11p rise to 116p.

Mr James Doel, Triplex chief executive, said he did not expect the deal to dilute earnings per share in the current year. It would substantially boost earnings in 1988.

When Mr Doel and Mr Robertson took over at Triplex in 1983 the company was making annual losses of about £1m. Mr Doel said the company had increased profits steadily by getting good returns from unfashionable businesses.

Triplex, which has interests in building components, including glazing and aluminium products, as well as foundries and engineering, has bought 10 companies for £8.2m in the last 18 months. Mr Doel said most were companies which needed to be turned round and the best was still to come from them.

Lloyd has a low level of borrowings and the enlarged Triplex will be able to reduce gearing, high following a $6m cash acquisition in April, to about 35 per cent.

Mr Doel said Lloyd's tax losses would mean that tax charge for the Lloyd companies this year would be about 10 per cent.

In his annual statement for Lloyd, Mr Robertson said improved operating profits in the steel and engineering divisions were more than offset by a downturn in foundries and in marine and offshore engineering.

Turnover was £49.42m (£52.74m)

Lloyd is recommending a final dividend of 1p (2.75p). A special second interim dividend of 1.75p will be paid if the offer becomes unconditional.

Mr Robertson said all three operating divisions at Triplex reported increased profits. Profit growth in the current year "must be strong."

Sales in 1986-87 were £44.07m (£30.95m) and tax was £636,000 (£380,000). The board is recommending a final dividend of 2.5p, giving a total for the year of 3.25 (2p).

C E Heath in talks with marine broker

C. E. Heath, the insurance broking group, appeared to be taking another step towards recovery yesterday with the news that it is in merger talks with Martens Horner, a small Lloyd's marine broker.

Heath said that negotiations were under way with Garlands Holdings, Martens Horner's owner, and might lead to a merger between Martens Horner and Heath's two marine insurance broking subsidiaries, C. E. Heath (Marine) and Fielding and Partners (Marine).

Heath has made no secret in the past few months of its determination to find new marine broking staff to expand its existing business and to replace four senior marine brokers who left Heath to join Citicorp Insurance Brokers last December.

Mr Callum Stewart, a Heath director, said that Heath's marine division was already strong in cargo insurance business. Martens Horner would add expertise especially in marine hull and liability business, and in reinsurance.

Martins Horner was founded in 1981, employs about 40 people and has annual brokerage of about £2m. If completed, the merger would create a new combined marine group called Heath Martens Horner (Marine) with about 140 staff and total brokerage of about £4.5m.

Mr Peter Martens and Mr Frank Horner would become chairman and managing director respectively of the new company.

Mr Stewart did not rule out the possibility that Heath would seek more acquisitions of marine brokers or broking teams. There are already rumours at Lloyds of London that there will be staff defections from Willis Faber or Stewart Wrightson, two quoted Lloyd's insurance brokers, in the wake of their proposal to merge.

* Sedgwick Group, the UK's biggest insurance broker, said yesterday that it has formed a new company to develop insurance broking in West Germany in partnership with Merck, Finck, private bankers. The new jointly-owned company has acquired Sitt & Overlack, a Cologne-based insurance broker with 1987 annual revenue of about £1.5m.

M and S hit by weather

By Nikki Tait

DISMAL summer weather held back sales at Marks and Spencer, Britain's largest store chain during May and June after an excellent April.

Revealing this at the annual meeting Lord Rayner, the chairman, went on to say, however, that he was delighted to see that summer had returned. Seasonal merchandise sales, he said, were showing substantial increases this week.

With additional space coming on stream in the autumn, he forecast good results for the year overall.

The 1,200-plus shareholders who forswore Wimbledon and turned out for a cup of coffee and glass of wine at London Royal Lancaster Hotel yesterday, heard Lord Rayner expand on the group's plans to turn the Oxford Street store into a four-storey, 134,000-sq-ft outlet by next spring; to add another 500,000 sq ft of selling spacethis year; and to bring the amount of space modernised since April 1985 to 6m sq ftby the end of the financial year.

Perry in £3m Volvo deal

BY CLAY HARRIS

Perry Group, the Ford and General Motors main dealer, is moving up-market with the purchase of two Volvo dealerships and the establishment of a third in deals worth £2.94m.

The dealerships will form the core of a new specialist cars division. Mr Richard Allan, chief executive, said yesterday that additional acquisitions of low-volume franchises were planned.

Perry bought Volvo franchises in Leicester and Lough*borough from W. S. Yeates, the* coachbuilder. Together they contributed profits of £350,000 in the year to last October and include assets of about £2m.

The company separately has bought freehold premises in Canterbury to establish a dealership, filling a gap created when the previous franchise-holder switched his allegiance to Mercedes.

Motor dealerships accounted for three quarters of Perry's £6.2m operating profit last year. Perry shares added 4p to 280p.

Equiticorp gains two GPG seats

BY DAVID LASCELLES, BANKING EDITOR

Equiticorp, the New Zealand company controlled by Mr Allan Hawkins, has withdrawn its requisition for an extraordinary general meeting of Guinness Peat Group after being offered two places on GPG's board.

The company said last night that Mr Hawkins and Mr Grant Adams would be joining the 15-strong board. However the board is also being enlarged with the appointment of Mr Roger Earl, who heads GPG's Fenchurch insurance broking subsidiary.

Equiticorp owns 28 per cent of GPG and has been negotiating for several weeks for board seats. Three weeks ago it threatened to force the issue by calling an extraordinary meeting.

Fashion & General

Pre-tax revenue showed a downturn at Fashion & General Investment from £653,401 to £591,421 for the year to March 31. A reduced final payment of 14.3p leaves the dividend at 24.3p compared with 27p.

The directors reported that the profit downturn was due to a reduction in the yield on the company's liquid investments.

Income from fixed asset investment was £585,846 (£653,226). Net interest receivable was £48,444 (£52,687). Minorities took the same again at £44,000 and earnings per share were 24.6p (27.2p).

Its ultimate holding company is The Scottish and Mercantile Investment.

DIVIDENDS ANNOUNCED

Coated Eletrodes ...	2.6‡	Aug 28	—	3.9	—
Davy Corpration	4.75	Sept 14	3.7	6.25	4.8
Domino Pinting int.	1.2	—	0.95	—	2.3
Fashion & General ...	14.3	Aug 17	17	24.3	27
Hampton Trust	0.75	—	0.65	1.25	1
F. H. Llyd	1	—	2.75	2	3.75
Marling nds.	1.35†	—	1.05	2.2	1.75
Microgen int.	1.5	Aug 10	1*	—	4*
Newman Tonks ...int.	3.2†	Aug 13	3	—	7.2
Oakwood Group ......int	nil	—	nil	—	4
Penny & Giles	1.74	—	1.5	2.5	2.18
Triplex	2.5	—	2	3.25	2

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ Third market.

Consortium buys 25% Porter Chadburn stake

BY CLAY HARRIS

Porter Chadburn, the food and drink equipment, engineering and plastics group, yesterday got a new management and a new large shareholder as G. M. Firth (Holdings), the steel stockholder and property company, reduced its stake from 64.7 per cent to 39.7 per cent.

The 25 per cent holding was sold for £2.4m to a consortium led by Charterhouse Bank. Porter shares soared 108p to 425p yesterday to give the company a market value of £20m.

Mr Raymond Dinkin, a former Scott Paper executive who will take over as chairman and chief executive, said that Porter would be developed into a significant industrial holding company through strategic acquisitions.

Firth said that the disposal put it into a stronger position to make further investments. It planned to retain a *substantial* investment in Porter, although the stake was likely to fall as Porter made acquisitions.

Although the market price stands at more than twice the 205p at which the 25 per cent stake changed hands, Mr Ian Wasserman, Firth chairman, said: "We didn't mind giving a bit to get a lot." Firth paid an average of 80p for its shares.

Firth also said yesterday that Porter's pre-tax profits in the year which ended in March will not exceed the £506,000 achieved in 1985-86, contrary to Mr Wasserman's original forecast.

This was entirely a result of two oil services companies bought just before the price slump, Mr Wasserman said. One had been sold.

Charterhouse holds 19 per cent of Porter and Mr Dinkin has more than 4 per cent. Just over 1 per cent is owned by Mr David Cassidy, a former group financial director of British Ever Ready, who will join the board. The two executives have been granted options over a total of 610,000 shares.

Oceana Development

Net asset value per 25p share of the Oceana Development Investment Trust rose by 44.1p to 316.7p over the 12 months ended March 31 1987.

Although dividends and interest from investments showed an improvement of £62,253 at £254,291 the trust swung from profits of £116,774 to losses of £90,205 for the period after taking account of administration expenses of £211,502 (£123,939), interest of £160.105 (£16,178) and tax of £14,389 (£79,815).

Loss per share emerged at 1.71p (earnings 3.34p).

Oakwood shares suspended on bid talks

By Janice Warman

SHARES in Oakwood Group, engineers and sanitaryware distributors, were suspended yesterday at the company's request after it revealed it was in bid talks and announced a 70 per cent fall in interim pre-tax profits.

Mr Edward Chambers, chairman and managing director, said he could make no further comment on the talks.

Turnover for the six months to March 31 rose from £5.95m to £6.57m and profits fell from £66,000 to £20,000. Earnings per share were 0.65p (1.8p).

Relocation of the building products distribution division had proved considerably more disruptive than had been anticipated, he said, but the civil and electrical engineering division had produced satisfatcory results.

An offer had been accepted for the sale of the group's Westminster Bridge Road premises and contracts should be exchanged shortly, he said.

The redeveloped freehold premises at Crawley had been revalued, disclosing a surplus over book value of about £375,000.

BRYSON OIL & Gas: Pre-tax loss for 1986 was £572,085 (£154,053 profit) after exceptional charge £671,411 arising from board's decision to write off the Lorica prospect in Columbia. Stated loss per share 6.9p (2.2p earnings). Company, which is unquoted, said on an operational basis its performance was satisfactory, bearning in mind turmoil within the industry.

MARINA DEVELOPMENT Group (shares offered for sale in July 1986): No dividend. Turnover £4.78m for year ended March 31 1987 and pre-tax profit £79,000. Tax crdeit £6,000. Earnings per share 1.63p.

UK COMPANY NEWS

Domino to fund £23m US purchase via rights

BY DAVID WALLER

Domino Printing Sciences yesterday announced a major expansion via the acquisition of its principal US trading partner, American Technologies.

The $37.4m (£23.1m) purchase is to be financed by a 1-for-2 rights issue, which will raise a further £4.6m.

At the same time, the fast-growing manufacturer of ink jet printers revealed pre-tax protfis up a third to £1.87m for the 26 weeks to May 3, on turnover pu 40 per cent to £8.08m.

The shares responded by gaining 38p to close at 520p, an 85p premium to the 435p price of the new shares.

The two companies are of comparable size. American Technologies made pre-tax profits of £2.35m in 1986 on turnover of £11.49m; Domino made £3.61m in the year to November 2 1986 on turnover of £13.67m.

They first entered into trading agreements in mid-1983. Prior to the acquisition, American Technologies made and distributed Domino printers in the US under exclusive licence from the UK company, while Domino manufactured inks under licence from its partner in the US.

Under these agreements, Domino received approximately £500,000 in royalties in the last financial year.

"This deal brings us closer to our stated ambition to be the word leader in industrial electronic overprinting," Mr Alan Barrell, Domino's managing director, said. "It clearly gives us synergy for growth. Cross-royalties are eliminated and research and development costs can be shared."

"The benefits of the acquisition should be rapid without any material rationalisation costs."

Mr Barrell predicted that the purmhase would not dilute earnings per share, even in the current year when American Technologies' profits will be consolidated for a three-month period.

Earnings per share for the first half rose 37 per cent to 9.26p. Operating profits increased by 41 per cent to £1.82m. Royalties from American Technologies were £251,000.

The interim dividend is lifted from 0.95p to 1.2p per share.

Gold mine holding boosts Hampton assets

Net asset value of Hampton Trust increased from 37.4p to 59.3p over the year to March 31 1987 and the directors point out that at that date the value of the holding in Mt Martin Gold Mines was £8.9m against net balance sheet assets of £1.2m.

Taking that into account the adjusted net assets increased to £57.1m or 68.5p per share.

UK rental income last year rose from £3.35m to £5.68m and income from Australian mining to £272,000 (£95,000): total expenditure was £664,000 (£255,000).

Trading profit amounted to £5.35m (£3.19m) and other income to £277,000 (£637,000). Interest payable was up from £2.49m to £3.86m leaving a pre-tax profit of £1.39m compared with £962,000.

The dividend total is lifted from 1p to 1.25p.

G. F. LOVELL (confectionary maker): final dividend 2p making 3.5p for year ended April 4. Turnover £3.7m (£3.5m) and pre-tax loss £126,000 (profit £147,000) after exceptional debit of £93,000 (credit £107,000). Net loss £56,000 (profit £103,000). Loss per share 6.1p (earnings 10.7p). The move to the new factory adversely affected the year's figures.

Newman Tonks hits £6m and plans further purchases

Newman Tonks Group, enlarged via the £28m acquisition of Peerless earlier this year and the £7m purchase of Quality Hardware of the US last December, checked into the City yesterday showing a 25 per cent pre-tax profits increase for the first six months of the 1986-87 year.

The directors said the outlook for the second six months for the existing group was encouraging. Further acquisition opportunities were being pursued and overall, they expected a satisfactory outcome for the year as a whole.

Turnover for the opening six months, to April 30, reflected disposals and at £66.17m was slightly lower than the corresponding £66.79m—the group is a metal hardware manufacturer.

Pre-tax profits improved from £4.9m to £6.13m after taking account of a £176,000 reduction in interest charges to £595,000.

The directors said continuing good performances by the Briton door closer business and Monarch Hardware in the US had provided the backbone to the results.

The results were struck on a merger accounting basis and included £1.12m (£1.06m) from the Peerless companies after deducting losses of £366,000 (£232,000) of businesses now sold or discontinued.

Group tax accounted for £2.45m (£1.86m) and minorities for £64,000 (£21,000).

Available profits emerged at £3.62m compared with a previous £3.02m, equal to earnings of 5.71p (4.76p) per 25p share.

The interim dividend is being stepped up from 3p to 3.2p.

Below the line there were extraordinary debits of £35,000 (£3.93m).

Early last year Newman Tonks successfully fought off a £62m bid launched by McKechnie Brothers.

● comment

Newman Tonks is joining the growing number of companies whose presentation of results bears increasing resemblance to a pre-emptive takeover defence. Newman Tonks fought off one bid last year and does not want its shares underrated just because the City does not know about its plans for expansion. The merger accounting principles used after the acquisition of Peerless have tended to understate the real improvement of Newman Tonks' performance. It has a new hardware chain on the US west coast, and is on the lookout for a similar purchase on the east coast to expand the distribution network for its products. Newman Tonks also has its eye on a lock company and, with gearing close to nil, should have little trouble moving into new territory. A prospective p/e of 16.5 based on pre-tax profits forecasts of £14m for the year appears to value the shares fully, when looking at the competition. Yet Newman Tonks is putting together a distribution network that could pay off enormously in the years ahead. And for those who can wait until 1988, changes in US tax laws should give earnings a nice shove upward.

Time Products

Time Products, watch and jewellery maker and retail jeweller, is examining opportunities for expanding business and making suitable acquisitions, the chairman told yesterday's annual general meeting.

Turnover to date was above expectations and substantially ahead of the corresponding figures for last year, he added.

UK COMPANY NEWS

Microgen hits £4.53m and expansion ahead

Microgen Holdings, the Hertfordshire-based computer output services bureau which has been busy on the takeover front over the past twelve months, yesterday reported a 35 per cent improvement in pre-tax profits for the opening six months of the 1986-87 year.

The directors said demand for the company's services was continuing to grow and they were confident that the full year results would confirm Microgen's record of consistent growth—profits have surged from £926,000 in 1982-83 to £7.2m last year.

The directors also said they were seeking acquisitions in existing and related fields.

For the six months to April 30 turnover advanced from £12.47m to £16.23m and profits from £3.35m to £4.53m pre-tax.

After tax of £1.64m (£1.23m) and minorities of £25,000 (£37,000) available profits worked through at £2.86m compared with a previous £2.09m, equal to earnings per 5p share of 7.7p (5.7p).

Shareholders are to receive a 50 per cent lift in their interim dividend to 1.5p—they were paid a total last year of 4p after adjusting for the one-for-one scrip issue.

Below the line extraordinary provisions were reduced from £20,000 to £7,000.

The directors pointed out that in line with their objectives laser printing had begun in Sweden and Finland, and in Denmark through a small acquisition.

They added that a small COM bureau was to be acquired in Germany which would raise Microgen's market share in the key area around Frankfurt.

A new COM bureau had been opened to serve the west London market.

Penny & Giles ahead to £1.8m

Penny & Giles International increased its pre-tax profits from £1.51m to £1.79m in the year to March 31 1987, and the final dividend is raised from 1.5p to 1.74p net for an increased total of 2.5p compared with 2.18p.

The group has four main divisions covering conductive plastics, data recording, potentiometers and transducers.

Current levels of both UK and export orders give the directors confidence that the historic pattern of organic growth will continue. The directors also continue to seek acquisitions in areas appropriate to development of the group.

The company's sales and marketing teams, supported by expanding research and development departments, have continued to penetrate worldwide markets with sales of existing and new products.

Group turnover was up from £15.92m to £18.05m, and comprised—UK, £11.99m (£10.76m) and exports, £6.05m (£5.15m).

The directors said both margins and turnover per employee have shown satisfactory growth during a year when staff was increased by about 6 per cent.

There was an extraordinary debit this time of £47,000 which left attributable profits higher at £1.13m against £924,000. Stated earnings per 25p share improved from 10.26p to 13.11p, and net asset value per share was 85.07p at the year end compared with 75.1p.

Sleipner delays option on Ealing Electro-Optics

BY PHILIP COGGAN

Ealing Electro-Optics, the USM-quoted optical equipment manufacturer, will soon have a new owner. But who that owner will be is still not clear after the Takeover Panel granted an extension to a potential bidder for the company.

Sleipner UK, the merchant banking arm of Norwegian financial services group, Nevi, has agreed either to find a bidder, or to bid itself, for EEO by September 30. It acquired a 40.5 per cent stake in EEO last December as security for the finance it provided when Ealing, the US company which once owned the whole of EEO, bought another private company owned by its chairman, Mr P. Grindle.

The Panel exempted Sleipner from the provision of making a full bid for EEO, provided it did not transfer any of its shares, buy any more, or vote more than 29.99 per cent of the equity at the annual meeting.

That exemption ran out on July 1, and Sleipner has now agreed to bid at least 150p per share in cash for the remainder of EEO if it fails to find a third party bidder by the end of September.

A Norwegian group, A/s Investa, which owns 7.5 per cent, is deemed to be acting in concert with Sleipner.

Clayhithe to obtain listing

Clayhithe, an unquoted investment company, is to obtain a stock market listing by reversing into Betec, a quoted engineering company in which it already has a 29.9 per cent holding.

Both companies' activities will be merged into the new group, which will continue under the Betec name. No changes in management will result because Clayhithe's directors are already on the Betec board.

The merger will be achieved through an offer of 13 new Betec ordinary shares for every 10 Clayhithe ordinary or preference shares. At Betec's close yesterday of 187p that values Clayhithe at £16m and the combined group at £32m.

Clayhithe was set up in 1980. Its stated policy is to provide finance and management support to help other companies realise their full potential.

Apart from Betec, it has stakes in three quoted companies (Early's of Witney, Photax (London) and Wordplex Information Systems) and two unquoted companies (BNL Holdings and Horstmann Gear Group). its pre-tax profits in the year to March 1987 were £1.1m (£542,000).

Betec makes industrial fasteners and engineering machinery, and also holds nine acres of development land in Aylesbury, where it is based. In the year to last December it made pre-tax profits of £1.5m (£1.2m).

Coated Electrodes advances to £1.7m

Coated Electrodes International, which joined the USM in June last year, increased its pre-tax profits by 32 per cent from £1.25m to £1.65m in the year ended March 28.

Mr John Lagoe, chairman, said that the board's policy was to expand as a worldwide supplier of specialist products and services to steel and other industries, by development of its original operations and by acquisition.

Typical of this policy was the acquisition of Sarclad International which was now fully integrated into the group. A new product, designed to produce improved quality steel, was under development and this should prove a profitable addition to Sarclad's range.

The company has recently installed new machine tools for graphite scrap recovery which have enabled the product range to be widened, and this business now represented 55 per cent of Coated Electrodes UK.

Mr Lagoe added that the current year had started well.

Turnover was £9.7m (£8.06m), operating profit £1.64m (£1.4m), tax £484,000 (£419,000) and earnings per share 9.4p (7.5p).

The directors recommended a final dividend of 2.6p making 3.9 for the year—in line with last year's forecast.

Improved margins boost Marling

BY JANICE WARMAN

IMPROVED margins helped Marling Industries, industrial textiles manufacturer, to boost its pre-tax profits by 46 per cent to £3.13m for the year to March 31.

Turnover rose by 15 per cent from £41.3m to £47.6m and earnings per share by 58 per cent to 12.13p. A final dividend of 1.35p per share makes a total of 2.2p for the year, compared with 1.75p.

Marling made a series of acquisitions in the past year and 1986's figures were adjusted and Mr Peter Held, managing for merger accounting. Mr Peter Held, managing director, said, "We have integrated our acquisitions and eliminated overheads but the benefits are still to come."

The group had good order books for the first quarter of this financial year, said Mr Held, despite bad weather causing a falling off of high street trade.

It was continuing to seek opportunities to expand, he said, particularly of companies which could provide good synergy with its present subsidiaries. Germany, Canada and Australia were all good markets with growth possibilities.

Mr Held said the group was better placed than ever before to continue its growth and development.

He added that Marling had invested the proceeds of its £2.1m January rights issue in enhancing its product range and improving market penetration.

Borrowings had been reduced to 55 per cent of shareholders' funds.

Interest payments rose from £913,000 to £1.25m largely because the group had acquired about £1m worth of stocks with its new subsidiaries.

Tax took £990,000 (£869,000) and minorities £29,000 (£13,00). There was an extraordinary credit of £39,000 (£212,000 debit).

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims: Oakwood, Phoenix Property and Finance.

Finals: Associated British Engineering, Burtonwood Brewery, Hillards, North of Scotland Investment, Robertson Research.

FUTURE DATES

Interim—

General Consolidated Inv. Tst. ... July 14

Finals—

Moorgate Investment Trust ... July 14

Wintrust ... July 7

GRANVILLE
SPONSORED SECURITIES

High	Low	Company	Price	Change	Gross div.(p)	Yield %	P/E
180	133	Ass. Brit. Ind. Ordinary	180	+3	7.3	4.1	11.0
172	145	Ass. Brit. Ind. CULS	172	+2	10.0	5.8	—
38	34	Armitage and Rhodes	38	—	4.2	11.1	6.3
80	67	BBB Design Group (USM)	85	+9	1.4	1.6	20.2
286	215	Bardon Hill Group	286xd	+1	5.3	1.9	24.4
171	95	Bray Technologies	171	—	4.7	2.7	13.7
197	130	CCL Group Ordinary	197xd	+2	11.6	5.8	5.1
123	99	CCL Group 11pc Conv. Pref.	123	—	15.7	12.8	—
146	136	Carborundum Ord.	146	—	5.4	3.7	12.7
94	91	Carborundum 7.5pc Pref.	93xd	—	10.7	11.5	—
107	87	George Blair	107	—	3.7	3.5	2.8
143	119	Isis Group	120	—	—	—	—
138	119	Jackson Group	138xd	—	6.8	4.9	7.6
400	321	James Burrough	400xd	+5	18.2	4.5	9.1
97	86	James Burrough 9pc Pref.	97	—	12.9	13.3	—
780	510	Multihouse NV (AmstSE)	510xd	—	—	—	20.2
448	351	Record Ridgway Ordinary	448	+6	1.4	—	9.1
86	82	Record Ridgway 10pc Pref.	82xd	—	14.1	17.2	—
91	80	Robert Jenkins	80	—	—	—	3.5
110	42	Scruttons	110	—	—	—	—
184	141	Torday and Carlisle	184xd	—	6.6	3.6	8.9
415	321	Trevian Holdings	415	—	7.9	1.9	8.6
108	73	Unilock Holdings (SE)	108xd	—	2.8	2.6	19.9
180	115	Walter Alexander	180	—	5.9	3.3	13.3
196	190	W. S. Yeates	195xd	—	17.4	8.9	19.5
116	96	West Yorks Ind Hosp (USM)	115	+8	5.5	4.8	12.2

Granville & Company Limited
8 Lovat Lane, London EC3R 8BP
Telephone 01-621 1212
Member of FIMBRA

Granville Davies Coleman Limited
27 Lovat Lane, London EC3R 8DT
Telephone 01-621 1212
Member of the Stock Exchange

Dollar fall causing concern in Opec

By Richard Johns

A MAJOR issue at the next scheduled conference of the Organisation of Petroleum Exporting Countries starting on December 9 in Vienna will be the depreciation of the dollar, the currency in which oil prices are denominated.

Mr Rilwanu Lukman, Nigerian Minister of Oil and current president of Opec, said on Wednesday night that the issue would be discussed fully at the next meeting. Opec's Economic Commission has been instructed to prepare a report about the loss of purchasing power resulting from the dollar's weakness.

Iran estimates that Opec have lost $1.25 a barrel in real income because of the dollar's depreciation.

Mr Lukman said that Opec would have to choose between raising official prices or increasing production.

The problem was aired vigorously by Iran at last week's ministerial conference in the Austrian capital. Subsequently the Government in Tehran called for an end to the linkage between oil prices and the dollar.

"Most people (in Opec) compare the dollar against the harder currencies like the Yen, Deutschemark and Swiss Franc," said Mr Lukman. The question had been pushed aside last week in Vienna for the time being because of the general will to get the Opec conference over as soon as possible, he acknowledged.

The general thinking was that, apart from the chances of a recovery of the dollar, the question was too complicated to be solved by switching to a basket of currencies until there was real confidence about oil prices being stabilised around a central reference of $18 a barrel.

The issue was pressed by Mr Gholamreza Aghazadeh, chief delegate of Iran, which is in favour of maximising per-barrel revenues, who said after the meeting that a price rise to $22 a barrel by the end of 1987 would only mean maintaining the real value in terms of the exchange rate at the beginning of the year of $18.

Potato growers welcome cash futures contract

BY DAVID BLACKWELL

THE LONDON Potato Futures Association is to launch a new contract in answer to farmers who earlier this year criticised the existing contracts for not providing a proper hedge for their crops.

The contract, for March, will be settled on a cash basis using the Potato Marketing Board's average price for the week in which the contract closes. The association hopes to start trading it at the beginning of August.

The existing futures contracts in the spring are for February, April and May—and the market takes physical delivery against outstanding contracts at the end of those months. Mr Bill Englebright, joint secretary of the association, said its was the question of delivery which had upset some farmers earlier this year.

The April contract closed at £166 a tonne, compared with a PMB average of £105. The wide divergence in the two prices forced some farmers to deliver their potatoes to the market rather than close out their futures position. Farmers prefer not to deliver to the futures market, which has rigorous inspection standards.

"The new contract will ensure that the physical price of potatoes and the closing price of the contract will come strictly together," said Mr Englebright. "It offers farmers a pure hedging instrument."

The contract was welcomed by Mr Robin Pooley, chief executive of the PMB, who said he had consistently recommended such a contract to the market and was "pleased that's the way they have decided to go."

Making use of the PMB average price would give "as near perfect a hedge as possible because nothing else determines the sttlement," he said. "It will avoid all the hassle over physical deliveries."

The move has also gone down well with the National Farmers' Union. Following discussion of the new contract by the union's potatoes committee on Wednesday Mr Mark Thomas said: "Generally we are all very pleased with it, particularly as it is tied up with a well-recognised price." He added, however, that some growers remained "sceptical about the whole set up" following the problems experienced in the spring.

The Potatoes Futures Market is also planning to introduce traded options on its November, April and May contracts later this year, said Mr Englebright.

This week the market celebrated its seventh birthday with the announcement of a record annual trading volume of 260,000 lots, compared with the previous peak of 247,000 lots in 1982-83.

Uganda recoups coffee losses

BY OUR KAMPALA CORRESPONDENT

RAMPANT COFFEE smuggling from Uganda to neighbouring countries has fallen sharply since the Government introduced a new currency and better producer prices as part of an economic recovery package backed by the International Monetary Fund.

According to Dr James Makumbi, the chairman of Uganda's Coffee Marketing Board, smuggling to Kenya, Ruanda and Zaire has "drastically decreased" with the nationwide distribution of the new Ugandan shilling just over a month ago.

The package devalued the shilling by 76 per cent, pegging it at 60 shillings to US$1. Government producer prices of Sh24 per kilo of the predominant Robusta type bean, and of Sh40 per kilo for high-quality arabica, are now said to be competitive with prices available in neighbouring states.

More than 10 per cent of Uganda's annual crop is usually smuggled out, often by peasant growers in border areas. A factory manager from the remote town of Bundibugyo near Zaire, said this week, however, that for the first time in years Uganda's farmers are selling their coffee to the Government.

Hitherto only 200 tonnes out of an estimated 2,500 tonnes of coffee grown in the region each year has stayed inside Uganda. The trend has abruptly reversed because private buyers in Zaire can no longer obtain the Ugandan shillings they need to pay Ugandan growers.

While the dramatic decline in smuggling will support the Ugandan case for an increased quota from the International Coffee Organisation, projections that Uganda would export 3m bags (60 kg a bag) for the 1986-1987 year have been marred, according to Dr Makumbi, by Kenya's obstruction of Ugandan coffee exports in April and May.

Uganda is the world's sixth largest coffee producer and its exports earn about 95 per cent of the country's foreign exchange. Dr Makumbi said that Uganda is "just trying to recoup what we lost" when the Kenyan government encouraged lengthy delays of Ugandan goods on the vital import-export rail route to Mombassa port.

There has been no delay since the two countries held high-level bilateral talks in Kenya early last month, but a lack of railway wagons inside Uganda is still causing bottlenecks. Some observers worry that Uganda will not shift enough coffee without resorting to road transport — ruled out as two costly by the Government late last year.

Dr Makumbi claimed that Uganda has exported 1.5m bags so far in 1986-87, with substantial quantities currently in transit. Between 8,000 and 10,000 bags are said to leave Kampala daily for export, some travelling via Tanzania's Dar-es-salam port.

An intensive campaign is being mounted by the Coffee Board this week to make sure that producers receive cash payments. Government money distributed by the Board through private local processors and coffee unions often fails to reach the producers themselves because of corruption.

Lucy Kellaway visits the International Petroleum Exchange

More liquidity needed to fill the pits

A MONTH after London's International Petroleum Exchange's move to the swanky new trading floor at St Katharine's Docks nearly all its gleaming, primary coloured equipment still looks untouched.

Gleaming equipment at the new IPE.

Yesterday morning three of the four pits were not being used at all, while the fourth, where the relatively successful gasoil contract is traded, about 20 traders stood around kicking their heels and cracking jokes. By 11.30 am a mere 600-odd contracts had changed hands.

The IPE recognises that it has a problem. It is badly short of liquidity, and every contract that it has launched so far, with the exception of gasoil (heating oil), has failed to get off the ground. Yesterday there was no sign of any activity in the two new contracts in leaded gasoline and heavy fuel oil.

Nevertheless, the exchange is bravely pressing ahead with an expansion programme—and on July 20 it plans to launch its first options contract, based on gasoil futures.

Although the exchange, ever optimistic about the success of new contracts, is hoping that the option will be well received, it now recognises that a more pressing task than finding new things to trade is finding more people willing to trade them.

"The industry is looking for more liquidity before it is prepared to trade. What we need is a mechanism for developing liquidity on the floor," Mr Wildblood, chairman of the IPE, said yesterday.

The move to docklands is one of two steps being taken by the exchange to achieve that end. According to Mr Wildblood the new pits give the exchange added flexibility, and allow more traders to wedge themselves into a smaller area.

While for the moment shortage of space is scarcely a problem, with the move to trading pits has come the introduction of locals—traders who buy and sell on their own account. Mr Wildblood said 20 locals had been accepted by the exchange, and that a further 10 were being interviewed. Two locals had taken their places on the exchange, he said, although yesterday they were not in evidence.

The exchange hopes that within 18 months about 50 locals will be actively using the exchange, and will have contributed to market liquidity, in the same way in which activity picked up on the Sydney futures exchange after locals were introduced four years ago.

"When Sydney moved to a pit system and brought in locals, it was the wisest decision they ever made," Mr Wildblood said.

The second route through which the exchange plans to increase its liquidity is by changing its membership structure. Mr Wildblood said a committee was examining proposals, and should make a specific recommendation to members in the autumn. The change would probably allow for individual members to become market-makers on the exchange, and permit membership from the industry.

Mr Wildblood said that the move to Docklands had gone smoothly, and casting his eye around the inactive trading floor, added that yesterday was unusually quiet. He explained that not only was the exchange moving into its summer lull, but the market was quiet after last week's Opec meeting.

Indeed, trading was so sparse yesterday morning that when a security guard strolled across the deserted floor space from the neighbouring London Fox (the former London Commodities Exchange) to attempt to eject Mr Wildblood, who was not wearing his special security badge, activity in gasoil stopped altogether while the traders looked on in amusement.

Caribbean commodity hopes rise

BY CANUTE JAMES IN JAMAICA

COMMODITY EXPORTING countries in the Commonwealth Caribbean are expecting improved performances this year after faring modestly last year.

The Caribbean Development Bank, in its latest annual report on the performance and prospects of its 17 borrowing members, say there were slight improvements in sugar, bauxite, bananas, sugar, citrus and rice last year, although there was a fall in petroleum production and exports.

The bank based in Barbados, expects to see marginal growth in production and shipment of the major commodities this year.

It sees a continuing threat to the region's sugar industry, however, from reduced access to foreign markets. Last year the Commonwealth Caribbean produced 784,000 tonnes of raw sugar, 1.4 per cent higher than in 1985, but the group's sugar export quota to the US has been cut from 87,130 tonnes to 48,581 tonnes this year.

"With the forecast of further increases in output of alternative sweeteners, a further cutback in the US import quota cannot be ruled out," the bank's report says. "In the medium term, regional sugar producers must step up their efforts to rationalise the sugar industry and diversify into other crops that provide economic returns on the scale of sugar."

Guyana, the group's largest producer, last year lifted output by 1 per cent to 248,900 tonnes, while Jamaica's output at 176,000 tonnes was 14.2 per cent below the previous year's. Barbados recorded a 10.7 per cent increase and Trinidad's output grew by 14 per cent, but Belize's slipped by 8.6 per cent.

The Commonwealth Caribbean's two bauxite producers increased output to 8.4m tonnes from 7.73m tonnes in 1985—mainly because of an improved performance by Jamaica, which raised its production 800,000 tonnes.

"A reduction in the bauxite levy by $70 per tonne was mainly responsible for the increase in bauxite production in Jamaica," the report explains.

Guyana suffered a setback in its production of chemical and calcined grades of bauxite through increased competition from China, with which it shares the world market. The report says the country's output of calcined bauxite last year fell 7.8 per cent below the 1985 level, to 448,200 tonnes, while chemical grade bauxite declined by 24.4 per cent to 189,600 tonnes. Alumina cement output also fell from 92,600 tonnes to 49,913 tonnes, but the industry was aided by a 5.9 per cent increase in metal grade ore production to 816,200 tonnes.

The bank says that although prices on the London Metal Exchange rose in 1986, the outlook for aluminium remains bleak.

"Forecasts indicate that consumption of aluminium will fall by at least 2.5 per cent by 1988, with the increasing use of secondary metals especially in Japan and the Federal Republic of Germany. This will adversely affect the production of bauxite in the region."

The Windward Islands last year increased earnings from exports of bananas by 54.8 per cent, the bank says, as the average price for shipments to Britain moved to $480 per tonne from $394 per tonne. The increase was assisted by a 27.3 per cent growth in exports by the four islands, which last year shipped 206,164 tonnes of fruit, 98.5 per cent of which went to the UK, accounting for just under two-thirds of British consumption.

The bank reports that the Windward Islands made some headway in finding non-traditional markets for excess fruit, particularly during the winter, when demand fell in Britain. "In spite of the relatively low average price received, several shipments were made to Italy in November and December," says the report.

Belize and Jamaica, the Commonwealth Caribbean's smaller producers, both increased exports last year.

Jamaica's exports jumped 61 per cent to reach 20,700 tonnes, while Belize shipped 11,325 tonnes, 11.4 per cent up on 1985.

The group's two oil producers, Trinidad and Barbados, suffered from the weak market last year. The CDB forecasts continued weakness in the international market, suggesting little relief for Trinidad, where the economy is 80 per cent dependent on the petroleum sector.

Trinidad's oil production in 1986 averaged 168,907 barrels per day, 4.1 per cent below 1985 average output. The bank's report says total Barbadian output fell to 559,200 barrels last year, 19.8 per cent below the 1985 level.

LONDON MARKETS

LEAD PRICES reached 5½-year highs on the London Metal Exchange yesterday before being trimmed back by late profit-taking. The three months price touched £392 a tonne but closed only £2.25 up at £386.50 a tonne. The cash position closed with a net gain of £3 at £405.50 a tonne. Dealers said the market had responded to talk that informal labour negotiations between management and workers at Cominco's Kimberly and Trail operations in British Columbia had broken down, which have been strike-bound since May 9. Another bullish influence was a rumour that a large US producer had delayed shipments for 30 days because of a shortage of feedstock. Dealers also pointed to strong demand in the US, which they thought might switch to European stocks of the metal, which are prices about 10 cents a pound below North American producer prices, inc. which is also affected by the Cominco strike, though to a lesser extent, moved up on the LME as well. The cash position closed £6 higher at £524.50 a tonne. Constructive chart patterns were also quoted as a market factor.

LME prices supplied by Amalgamated Metal Trading.

ALUMINIUM

99.7% purity	Unofficial (close p.m.) £ per tonne	+ or −	High/Low
Cash	—	—	—
3 months	1570-5	−9	1585/1580

Official closing (am): Cash (——), three months 1,580-5 (1,581-5), settlement —— (——). Final Kerb close: ——. Ring Turnover: 1,400 tonnes.

99.5% purity	£ per tonne		
Cash	944-6	+14	954/953
3 months	913-4	+7.5	922/910

Official closing (am): Cash 952-3 (928-9), three months 919.5-20 (903-4), settlement 953 (929). Final Kerb close: 912.5-3. Ring Turnover: 22,800 tonnes.

COPPER

Grade A	Unoffic'l close £ per tonne	+ or −	High/Low
Cash	1039-40	+51	1049/1046
3 months	1019-9.5	+23.25	1026/1014

Official closing (am): Cash 1,047.5-8.5 (1,003.5-4.5), three months 1,024.5-5 (991.5-2), settlement 1,048.5 (1,004.5). Final Kerb close: 1,019-20.

Standard			
Cash	1028-32	+25	—
3 months	1005-9	+22	—

Official closing (am): Cash 1,035-40 (997-1,002), three months 1,009-14 (980-4), settlement 1,040 (1,002). US Producer prices: 74-78.5 cents a pound. Total Ring Turnover: 50,450 tonnes.

LEAD

	Unofficial close (p.m.) £ per tonne	+ or −	High/Low
Cash	405-6	+3	413/412
3 months	386-7	+2.25	392/385

Official closing (am): Cash 413-4 (400-1), three months 392-2.5 (380-1), settlement 414 (401). Final Kerb close: 386-7. Ring Turnover: 16,750 tonnes. US Spot: 37-38 cents a pound.

NICKEL

	Unofficial close (p.m.) £per tonne	+ or −	High/Low
Cash	2735-45	+5	2755
3 months	2775-85	+7.5	2785/2770

Official closing (am): Cash 2,730-5 (2,725-35), three months 2,774-5 (2,775-80), settlement 2,735 (same). Final Kerb close: 2,780-90. Ring Turnover: 1,032 tonnes.

ZINC

High grade	Unofficial close (p.m.) £ per tonne	+ or −	High/Low
Cash	524-5	+6	525/524
3 months	506-7	+4	508.5/500

Official closing (am): Cash 526-7 (525-6), three months 508.5-9 (507.5-8), settlement 527 (526). Final Kerb close: 502-3. Ring Turnover: 9,750 tonnes. US Prime Western: 47.5-48.5 cents a pound.

LONDON METAL EXCHANGE TRADED OPTIONS

	Strike Price $/tonne	Calls Nov.	Puts Nov.
Aluminium 99.7%	—	—	—

		Calls July	Calls Sept.	Puts July	Puts Sept.
Aluminium 99.5%	1,475	—	—	10	38
	1,500	36	44	18	52
	1,525	24	32	—	—
Copper (Grade A)	1,625	—	—	16	46
	1,650	45	58	26	62
	1,675	32	46	—	—
Copper (Grade A)	£/tonne 1,000	—	—	4	16
	1,025	23	27	10	27
	1,050	12	17	—	—

Estimates.

TIN

KUALA LUMPUR TIN MARKET—Close: 18.48 (18.49) ringgit per kg. Down 0.01.

GOLD

GOLD BULLION (fine ounce)	July 1	
Close	$446½-447	(£276¼-276¾)
Opening	$448¼-448¾	(£276¾-277¼)
M'n'g fix	$447.40	(£276.258)
Aft'n'n fix	$446.25	(£275.718)
Day's high	$448½-449	—
Day's low	$446½-446	—

GOLD AND PLATINUM COINS

Am Eagle	$459-464	(£284½-287½)
Mapleleaf	$460-463	(£285-287)
Kr'g'r'nd	$446½-448½	(£276-277½)
½ Krug	$234½-235½	(£145¼-146)
¼ Krug	$117¼-118¼	(£72¾-73¼)
Angel	$458½-461½	(£284¼-286)
1/10 Angel	$44-49	(£27¼-30¼)
New Sov.	$105-106	(£65-65¾)
Old Sov.	$105-106½	(£65-66)
Noble Plat	$573-583	(£355-361¼)

INDICES

REUTERS

July 1	June 30	M'th ago	Year ago
1631.4	1629.1	—	—

(Base: September 18 1931=100)

DOW JONES

Dow Jones	July 1	June 29	M'th ago	Year ago
Spot	127.04	126.69	—	125.01
Fut	125.46	124.45	—	118.23

(Base: December 31 1974=100)

MAIN PRICE CHANGES

	July 2 1987	+ or −	Month ago
METALS			
Aluminium			
Free Market	$1585/605	+20	$1585/605
Copper			
Cash Grade A	£1039.5	+51.0	£938.5
3 months	£1019.25	+23.25	£917.75
Gold Troy oz.	$446.75	−2.50	$451.25
Lead Cash	£405.5	+3.0	£387
3 months	£386.5	+2.25	£361.5
Nickel			
Free Mkt.	201/221c		197/217c
Palladium oz	$141.00	+2.00	$141.50
Platinum oz	$557.50	+2.50	$579.00
Quicksilvert	$245/255		$260/270
Silver troy oz.	445.80p	+5.90	467.35p
3 months	466.45p	+6.10	477.60p
Tin			
free Mkt	£4120/150		£4120/150
Tungsten	$58.16		$51.47
Wolfram 22.0lb	$48/55		$48/55
Zinc	£524.5	+6.0	$521
3 months	£506.5	+4.0	£516
producers	$860		$860
OILS			
Coconut (Phil)	$515x		$420
Palm Malayan	$335v		$335
Seeds			
Copra (Phil)	$320y		$280
Soyabean (U.S.)	$163.5	−1	$150
GRAINS			
Barley Fut. Sept	£99.00		£97.60
Maize	‡		£150.50
Wheat Fut. Nov.	£98.80		£99.70
No. 2 Hard Wint.	‡		‡
OTHERS			
Cocoa Ft. Sept	£1326.5	+18.5	£1246.5
Coffee Ft. Sept	£1262.5	−5.0	£1399
Cotton A Ind.*	81.45c		78.10c
Gas Oil Aug.	$161.25	+1.75	$154.5
Rubber (kilo)	68.50p	−1.50	64.5p
Sugar (raw)	$171.8	+0.8	$167.6
Wooltops 64s	477p kilo	+2	489p kilo

‡ Unquoted. † Per 75-lb flask. c Cents a pound. * Cotton outlook. v July. z Sept.Oct. x Aug-Sept. y Aug.

SILVER

Silver was fixed 5.9p an ounce higher for spot delivery in the London bullion market yesterday at 455.8p. US cent equivalents of the fixing levels were: Spot 738c, up 8c; three-month 751.2c, up 7.85c; six-month 764.4c, up 7.75c; and 12-month 792.4c, up 8.3c. The metal opened at 460½-462½p (746-749c) and closed at 457½-459½p (740-743c).

SILVER per troy oz	Bullion Fixing price	+ or −	L.M.E. p.m. Unoffic'l	+ or −
Spot	455.80p	+5.90	737.5c	+9.0
3 months	466.45p	+7.00	749.0c	—
6 months	476.60p	+6.80	—	—
12 months	497.50p	+7.20	—	—

Three month high/low: 750c. Final Kerb 748-50c.

LME—Turnover: 4 (same) lots of 100,000 ounces.

COFFEE

A predictably quiet day for robustas reports Drexel Burnham Lambert. In the lowest traded volume for seven weeks the market managed to create a £14 range, commission and trade house were subdued trades.

COFFEE	Yesterday close	+ or −	Business done
July	1222-1235	−8.0	1230-1216
Sept	1262-1265	−6.0	1270-1256
Nov.	1286-1297	−1.5	1295-1280
Jan	1309-1310	+4.0	1315-1301
Mar.	1329-1335	+7.0	1334-1328
May	1350-1360	+10.0	1350
July	1360-1380	—	—

Sales 1,619 (3,345) lots of 5 tonnes.

ICO indicator prices (US cents per pound) for July 1. Comp daily 1979 98.29 (97.94); 15-day average 98.34 (98.76).

COCOA

Cocoa futures, after a quiet morning session rallied £20 to £25 from the previous close. Origin participation was apparent with hedge selling near the day's high causing prices to ease towards the close. Manufacturer price-fixing and commission house short covering was also evident, reports Gill and Duffus.

	Yesterday's close £ per tonne	+ or −	Business done
July	1347-1350	+13.0	1358-1334
Sept	1325-1326	+16.6	1333-1308
Dec	1349-1350	+16.0	1358-1332
March	1366-1367	+17.5	1374-1350
May	1381-1383	+16.0	1385-1368
July	1397-1403	+21.0	1401-1388
Sept	1418-1419	+23.0	1419-1401

Sales: 3,614 (3,204) lots of 10 tonnes.

ICCO indicator prices (SDRs per tonne). Daily price for June 2 1634.46 (—); 10-day average for June 3 1,607.32 (—).

FREIGHT FUTURES

	Close	High/Low	Prev.
Dry Cargo June 22			
July	—	—	—
Oct.	937/940	940/885	878
Jan.	935/945	940/890	882
Apr.	932/945	938.5/915	903
July	700	800	780
Oct.	820	820	790
Jan.	840	840	800
April	—	—	—
BFI.	—	—	—

Turnover: 669 (—).

GRAINS

Old crop wheat steadied on lack of shipper selling, while new crops eased again on country hedge selling, whereas Barley attracted profit taking from co-operative and consumer shorts, reports T. G. Roddick.

Mnth	WHEAT Yest'rdy's close	+ or −	BARLEY Yest'rdy's close	+ or −
July	119.75	+0.45	—	—
Sep.	99.00	−0.15	95.80	+0.05
Nov.	100.85	−0.15	98.80	—
Jan.	103.65	−0.25	101.50	—
Mar.	106.05	−0.35	103.75	—
May	108.80	—	106.10	—
July	110.90	—	—	—

Business done — Wheat: July 119.50 only, Sept 99.00 only, Nov 101.00-0.85, Jan 103.80-3.70, March 106.05 only, May 108.80 only, July 110.90 only. Sales: 159 lots of 100 tonnes. Barley: Sept 95.70 only, Nov 98.70 only, Jan 101.50 only, March untraded, May untraded. Sales: 28 lots of 100 tonnes.

LONDON GRAINS — Wheat: CWRS No 1 13½ per cent, ex-origin transhipment Sept 99.75-100.75, Oct/Dec 104.00-104.50 buyer/sellers, Jan/March 109.00 seller. US Dark Northern Spring No 2, 14 per cent: July 93.00, Aug 92.00, Sept 91.50. US No 2 Soft Red Winter: July 85.25, Aug 86.80, Sept 87.50. Rest unquoted.

HGCA — Locational ex-farm spot prices. Feed Barley: W. Midlands 102.00; N. West 104.70. The UK monetary coefficient for the week beginning Monday, July 6, is not as yet known; any queries contact the HGCA marketing department.

POTATOES

The market opened cautiously with traders nervously testing buying support around £130.00 basis April. With keen buying interest recently emerging from one quarter in particular, potential sellers were reserved. Values fell 60p in thin volume only to quickly recover to trade 80p up by mid-morning and then drift back again through lack of interest by the afternoon, which saw a similar pattern of trade with market immediately down on opening but rallying on close to finish within 40p of highs. Again cross trading featured heavily, reports Coley and Harper.

Month	Yesterday's close £ per tonne	Previous close	Business done
Nov	91.50	91.00	91.60-91.00
Feb.	100.00	101.50	—
Apr.	130.80	130.10	130.90-129.50
May	143.50	144.50	144.00

Sales: 468 (605) lots of 40 tonnes.

OIL

	Latest	Change + or −
CRUDE OIL—FOB ($ per barrel)—July		
Arab Light	—	—
Arab Heavy	—	—
Dubai	17.30-17.40*	+0.05
Brent Blend	19.25-19.35	+0.325
W.T.I. (1pm est)	20.60-20.65*	+0.20
Forcados (Nigeria)	—	—
Urals (cif NWE)	—	—
PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)		
Premium gasoline	193-196	+1.00
Gas Oil	158-160	+1.00
Heavy fuel Oil	105-107	+0.50
Naphtha	169-172	+0.50

* August.

Petroleum Argus estimates

SOYABEAN MEAL

	Yesterd'ys close £ per tonne	+ or −	Business done
August	131.0-132.0	+1.10	132.0-131.0
October	128.0-129.5	+1.00	130.0-128.0
Dec	129.2-129.5	+0.50	129.5-129.0
Feb	131.5-131.7	+0.80	131.5-131.4
April	132.0-135.5	+0.85	133.0
June	129.5-132.5	+0.50	—
August	129.5-132.5	+0.50	—

Sales: 209 (867) lots of 20 tonnes.

US MARKETS

PRE-HOLIDAY atmosphere dampened activity on most markets, reports Drexel Burnham Lambert. However, reports of low copper stocks provided the background for an impressive rally in the futures as trade buying led the way. In the precious metals, locals dominated activity, but light trade selling was noted in gold and trade buying in silver. Crude oil futures were also very quiet, but steady, mainly as a result of follow-through buying and reflecting the rally in the products. Trade selling above 7 cents in sugar held the market despite good, mixed buying. Local selling pressured coffee, while in cocoa, good trade buying held the market steady in the face of profit-taking. In the grains and soyabean complex, pre-holiday booksquaring and short-covering steadied the markets in the absence of any significant news. Cattle futures traded indifferently, but in pork bellies and hogs, a combination of short-covering and fresh buying reflecting firmer cash prices, and suspicion that the neutral crop reports may be erroneous, saw prices rally sharply.

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	Prev	High	Low
July	70.50	70.00	70.75	70.50
August	70.40	70.00	—	—
Sept	70.30	69.75	70.75	70.00
Dec	69.50	68.75	—	—
Jan	69.50	68.75	—	—
Feb	—	—	—	—
March	69.50	68.75	—	—
April	—	—	—	—
May	69.50	68.75	—	—
July	69.50	68.75	—	—

COCOA 10 tonnes, $/tonnes

	Close	Prev	High	Low
July	20.00	19.73	19.98	19.98
Sept	20.20	19.95	20.30	19.82
Dec	20.30	20.06	20.37	19.94
March	20.48	20.28	20.57	20.17
May	20.68	20.46	—	—
July	21.05	20.74	21.05	20.66
Sept	21.25	21.04	21.18	20.92
Dec	21.54	21.33	21.28	21.20

COFFEE "C" 37,500 lb, cents/lb

	Close	Prev	High	Low
July	103.50	104.22	104.25	103.50
Sept	104.67	105.63	106.50	104.55
Dec	107.25	108.56	108.25	107.25
March	110.13	110.55	110.50	110.00
May	111.78	111.80	112.50	111.75
July	113.65	113.51	—	—
Sept	114.65	114.01	—	—
Dec	117.40	116.76	—	—

COPPER 25,000 lb, cents/lb

	Close	Prev	High	Low
July	74.85	73.80	75.00	74.20
August	74.35	73.20	—	—
Sept	73.85	72.90	74.20	73.20
Dec	72.90	71.90	73.25	72.30
Jan	72.60	71.50	72.45	72.45
March	72.05	70.95	72.20	71.60
May	71.55	70.45	—	—
July	71.30	70.25	71.25	71.25
Sept	71.15	70.15	—	—
Dec	71.25	70.35	71.50	71.10
Jan	71.30	70.40	—	—
March	71.40	70.60	—	—
May	71.55	70.80	—	—

COTTON 50,000 lb, cents/lb

	Latest	Prev	High	Low
July	76.60	75.82	76.90	75.20
Oct	72.90	72.47	72.90	72.15
Dec	71.80	71.15	71.80	70.90
March	72.25	71.50	72.25	71.40
May	72.35	71.85	72.35	72.10
July	72.70	72.10	72.50	72.50

CRUDE OIL (LIGHT) 42,000 US gallons, $/barrels

	Latest	Prev	High	Low
August	20.64	20.48	20.68	20.57
Sept	20.30	20.17	20.36	20.25
Oct	20.16	20.08	20.22	20.12
Nov	20.11	20.05	20.17	20.08
Dec	20.06	20.03	20.16	20.05
Jan	20.02	20.02	20.08	20.02
Feb	20.03	20.01	20.08	20.01
March	20.02	20.00	20.08	20.02
April	20.02	19.99	20.07	20.02

GOLD 100 troy oz, $/troy oz

	Close	Prev	High	Low
July	446.3	446.9	—	—
August	448.8	449.4	451.0	448.0
Sept	451.4	452.0	451.5	451.5
Oct	454.0	454.7	456.5	453.5
Dec	459.2	460.0	461.0	458.5
Feb	464.7	465.6	465.8	464.3
April	470.1	471.1	—	—
May	—	—	—	—
June	—	447.8	—	—
August	481.4	482.6	481.7	481.7
Sept	475.6	—	477.4	477.4
Oct	487.4	488.7	—	—
Dec	493.5	494.9	494.8	494.5
Feb	499.7	501.2	—	—

SPOT PRICES—Chicago loose lard 16.00 (same) cents per pound. Handy and Harman silver bullion 723.50 (same) cents per troy ounce. New York tin 307.00-312.00 (same) cents per pound.

HEATING OIL 42,000 US gallons, cents/US gallons

	Latest	Prev	High	Low
August	53.95	53.91	54.35	53.90
Sept	54.75	54.63	55.10	54.60
Oct	55.60	55.57	55.95	55.50
Nov	56.35	56.20	56.60	56.25
Dec	57.00	57.00	57.50	57.00
Jan	—	—	—	—
Feb	—	—	—	—
March	—	55.95	—	—
April	—	53.05	—	—
May	54.25	54.15	54.25	54.25

ORANGE JUICE 15,000 lb, cents/lb

	Close	Prev	High	Low
July	130.25	130.25	131.10	129.75
Sept	125.70	125.20	125.90	125.40
Nov	121.10	120.80	121.20	121.00
Jan	120.25	120.55	120.30	120.25
March	120.45	119.75	120.25	120.25
May	120.35	120.15	—	—
July	120.35	120.25	—	—

PLATINUM 50 troy oz, $/troy oz

	Close	Prev	High	Low
July	559.8	558.9	561.0	557.0
August	—	581.6	—	—
Sept				
Oct	565.8	565.8	568.0	564.0
Jan	573.3	572.9	573.0	572.0
Feb	—	—	—	—
April	580.3	579.9	580.0	580.0
July	587.8	587.4	587.0	587.0
Oct	594.8	594.4	—	—

SILVER 5,000 troy oz, cents/troy oz

	Close	Prev	High	Low
July	740.7	743.8	749.0	735.0
August	744.2	747.7	745.0	738.0
Sept	749.5	753.0	755.0	743.0
Dec	764.0	767.8	768.0	757.0
Jan	768.7	772.4	—	—
March	778.7	782.5	783.0	775.0
April	—	—	—	—
May	789.0	792.8	790.0	790.0
July	799.5	803.2	—	—
Sept	810.0	813.5	811.0	811.0
Dec	—	—	—	—
Jan	832.3	835.3	—	—
April	—	—	—	—
May	855.5	857.8	—	—

SUGAR WORLD "11" 112,000 lb, cents/lb

	Close	Prev	High	Low
Sept	6.78	6.70	6.80	6.80
Oct	6.96	6.91	6.98	6.94
Jan	7.14	7.08	7.20	7.20
March	7.37	7.36	7.42	7.37
May	7.52	7.50	7.59	7.52
July	7.63	7.63	7.74	7.63
Oct	7.89	7.84	7.90	7.85

CHICAGO

LIVE CATTLE 40,000 lb, cents/lb

	Close	Prev	High	Low
August	63.20	62.97	63.30	62.85
Oct	61.60	61.56	61.80	61.30
Dec	63.17	63.17	63.40	63.00
Feb	64.20	64.25	64.40	64.00
April	65.15	65.12	65.20	64.75
June	64.65	64.52	64.65	64.25
August	63.95	63.92	63.97	63.60

LIVE HOGS 30,000 lb, cents/lb

	Close	Prev	High	Low
July	60.10	58.80	60.10	58.80
August	55.95	54.45	55.95	54.75
Oct	47.45	45.95	47.45	46.55
Dec	47.32	45.95	47.37	46.35
Feb	45.17	43.65	45.20	44.30
April	41.95	41.10	42.00	41.05
June	43.55	42.50	43.60	42.65
July	43.15	42.55	43.25	42.97
August	41.40	40.80	42.20	41.00

MAIZE 5,000 bu min, cents/56 lb-bushel

	Close	Prev	High	Low
July	173.6	172.6	177.0	173.2
Sept	180.2	179.6	183.0	180.0
Dec	185.6	184.2	187.0	185.4
March	193.6	192.8	195.2	193.4
May	198.4	197.4	199.4	198.0
July	199.6	199.0	201.4	199.8
Sept	198.4	197.4	198.4	198.4

PORK BELLIES 38,000 lb, cents/lb

	Close	Prev	High	Low
July	79.97	74.97	76.97	75.60
August	73.32	71.32	73.32	71.90
Feb	61.77	60.17	62.00	60.65
March	61.32	59.32	61.32	60.40
May	61.55	61.00	62.50	61.50

SOYABEANS 5,000 bu min, cents/60 lb-bushel

	Close	Prev	High	Low
July	536.6	532.6	537.0	533.4
August	541.0	536.2	541.6	537.6
Sept	541.2	536.4	542.0	537.0
Nov	548.4	550.4	549.0	543.0
Jan	556.6	552.0	557.0	551.4
March	565.0	562.4	565.4	561.4
May	572.0	569.0	573.0	568.0
July	573.0	570.0	574.0	570.0
August	568.0	565.0	—	—

SOYABEAN MEAL 100 tons, $/ton

	Close	Prev	High	Low
July	536.6	532.6	537.0	533.4
August	541.0	536.2	541.6	537.6
Sept	541.2	538.4	542.0	537.0
Nov	548.4	544.4	549.0	543.0
Jan	556.6	552.0	557.0	551.4
March	565.0	562.4	565.4	561.4
May	572.0	569.0	573.0	568.0
July	573.0	570.0	574.0	570.0
August	568.0	565.0	—	—

SOYABEAN OIL 60,000 lb, cents/lb

	Close	Prev	High	Low
July	16.77	16.56	16.94	16.59
August	16.92	16.75	17.15	16.78
Sept	17.05	16.96	17.33	17.00
Oct	17.30	17.14	17.55	17.18
Dec	17.71	17.48	17.92	17.53
Jan	17.70	17.60	18.03	17.65
March	18.00	17.92	18.30	18.00
May	18.20	18.10	18.60	18.20
July	18.50	18.29	18.85	18.50

WHEAT 5,000 bu min, cents/60 lb-bushel

	Close	Prev	High	Low
July	263.6	257.6	263.6	169.0
Sept	270.6	265.6	271.0	266.4
Dec	280.0	274.6	280.0	276.4
March	283.0	277.4	283.0	278.4
May	275.6	271.0	277.4	272.4
July	266.0	262.4	268.0	266.0

SUGAR

LONDON DAILY PRICE—Raw sugar $171.8 (£106.4), up $0.80 (up £1.00) a tonne for July/August delivery. White sugar $181.4, down $8.20.

No. 6 Contract	Yest'rdy's close $ per tonne	Previous close	Business done
Aug	151.8-152.0	152.8-152.2	152.6-151.6
Oct	156.6-156.8	156.2-156.4	156.2-155.4
Dec	160.0-161.2	159.4-160.4	—
Mar	165.2-165.8	164.4-164.8	165.6-165.0
May	169.8-169.8	—	—
Aug	171.6-172.8	—	—
Oct	175.0-175.8	—	175.4-175.4

Sales: 1,288 (834) lots of 50 tonnes.

Tate & Lyle delivery price for granulated basis sugar was £210.50 (£209.50) a tonne for export.

International Sugar Agreement (US cents per pound fob and stowed Caribbean ports.) Prices for July 1: Daily price 6.44 (6.38): 15-day average 6.48 (same).

PARIS—(FFr per tonne): Aug 1110/1111; Oct 1139/1140; Dec 1165/1170; March 1212/1214; May 1240/1249; Aug 1270/1289.

GAS OIL FUTURES

Month	Yesterd'ys close US$ per tonne	+ or −	Business done
July	159.75	+2.25	159.75-158.2
Aug	161.25	+1.75	162.25-160.0
Sept	164.00	+2.00	164.00-162.5
Oct	166.75	+1.75	166.75-165.0
Nov	168.50	+2.50	168.50

Turnover: 2,950 (2,580) lots of 100 tonnes.

RUBBER

PHYSICALS—Closing Prices (buyers): Spot 68.50 (70.00). Aug 67.75 (68.25). Sept 67.75 (68.25). The Kuala Lumpur fob price (Malaysia/Singapore cents) per kg: RSS No 1 was —— (257.0); and for SMR 20 —— (218.0).

MEAT

MEAT COMMISSION: Average fatstock prices at representative markets: GB—Cattle 95.61p per kg lw (−1.86): GB—Sheep 170.50p per kg est dcw (−8.32); GB—Pigs 74.85p per kg lw (−3.78).

CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar up in thin trading

THE DOLLAR finished towards the day's highs in thin trading aheadd of the long US weekend. News of a 0.2 per cent fall in US unemployment to 6.1 per cent and a rise in non-farm payroll jobs of 116,000 was countered to some extent by a downward revision in the May figure to 74,000 from 123,000 reported previously.

Consequently most traders were content to cover their positions before today's Independence day holiday in the US. The dollar's firmer trend failed to take it outside recent rading ranges and although sentiment remained fairly bullish in the short term, there was insufficient impetus to push the dollar up to new ground. In addition background fears concerning central bank intervention and the slow rate of progress being made on the US trade and budget deficits tended to inhibit the extent of any bullish trend.

The dollar closed at DM1.8320 up from DM1.8280 and Y147.25 from Y146.75. Elsewhere it rose to SFr1.5220 from SFr1.5190 and FFr6.1075 from FFr6.10. On Mank of England figures, the dollar's exchange rate index rose from 102.2 to 102.4.

STERLING—Trading range against the dollar in 1987 is 1.6885 to 1.4710. June average 1.6289. Exchange rate index 72.5 unchanged from the opening but up from 72.3 on Wednesday. The six months ago figure was 68.4.

Sterling continued to move firmer but traders remained a little cautious after the recent sharp post election decline. Continued demand for UK equities accounted for some of the improvement. News that UK reserves in June had fallen by $230m compared with expectations of a rise of nearer $500m failed to have much impact and only served to underline that the authorities' support for sterling had been greater than expected.

Sterling was slightly easier against the dollar at $1.6150 from $1.6165 but edged higher against the D-mark to DM 2.9575 from DM 2.9550 and Y237.75 from Y237.25. Elsewhere it finished at FFr 9.8625 from FFr 9.86 and SFr 2.4575 compared with SFr 2.4550.

D-MARK—Trading range against the dollar in 1987 is 1.9305 to 1.7690. June average 1.8186. Exchange rate index 146.8 against 148.8 six months ago.

There was no intervention by the Bundesbank at yesterday's fixing when the dollar was quoted at DM 1.8289, little changed from DM 1.8222 on Wednesday. News of a fall in the US unemployment figure was countered by a downward revision in the non-farm payroll element and trading appeared to centre on covering positions ahead of the long weekend in the US.

JAPANESE YEN—Trading range against the dollar in 1987 is 159.45 to 138.35. June average 144.52. Exchange rate index 217.2 against, six months ago.

Trading was subdued in Tokyo yesterday. The dollar lacked insufficinet impetus to push itself beyond recent trading limits and with the long weekende in the US, there was little incentive to open fresh positions. Traders were also awaiting the release of US employment figures.

The US unit closed at Y146.95 compared with Y146.85 in New York and Y146.40 in Tokyo on Wednesday. While some dealers believed comments made by Japanese officials that the dollar had stabilised, others were more cautious and warned that a further decline may be necessary to offset continuing trade imbalances.

NIGERIAN NAIRA—The Nigerian naira fell by 6.3 per cent against the dollar at yesterday's auction in Lagos. The US unit rose to 3.95 naira from 3.7001 two weeks ago. The $70m on offer attracted bids of $79m.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu July 2	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.0253	+1.34	+0.77	±1.5344
Danish Krone	7.85212	7.85593	+0.05	−0.52	±1.6404
German D-Mark	2.05853	2.07465	+0.78	+0.21	±1.0981
French Franc	6.90403	6.91853	+0.21	−0.36	±1.3674
Dutch Guilder	2.31943	2.33721	+0.77	+0.20	±1.5012
Irish Punt	0.768411	0.774188	+0.75	+0.18	±1.6684
Italian Lira	1483.58	1502.23	+1.26	+1.26	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

July 2	Latest	Previous Close
£ Spot	1.6185-1.6195	1.6165-1.6175
1 month	0.25-0.24 pm	0.32-0.30 pm
3 months	0.75-0.72 pm	0.83-0.80 pm
12 months	2.22-2.12 pm	2.40-2.30 pm

Forward premiums and discounts apply to the U.S. dollar.

STERLING INDEX

	July 2	Previous
8.30 am	72.5	72.5
9.00 am	72.6	72.6
10.00 am	72.6	72.6
11.00 am	72.6	72.7
Noon	72.6	72.6
1.00 pm	72.6	72.5
2.00 pm	72.6	72.5
3.00 pm	72.6	72.5
4.00 pm	72.5	72.3

POUND SPOT—FORWARD AGAINST THE POUND

July 2	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6130-1.6210	1.6145-1.6155	0.36-0.30c pm	2.45	0.95-0.90 pm	2.99
Canada	2.1485-2.1567	2.1485-2.1495	0.24-0.14c pm	1.06	0.63-0.47 pm	1.02
Netherlands	3.31½-3.34½	3.32¾-3.33¾	1¼-1c pm	4.05	3¼-3pm	3.75
Belgium	61.10-61.53	61.20-61.30	19-12c pm	3.04	45-34 pm	2.58
Denmark	11.19¾-11.24¼	11.20¼-11.21¼	¼-¾ ore dis	−0.47	1¼-2½ dis	−0.76
Ireland	1.1010-1.1075	1.1035-1.1045	0.02-0.11 p dis	−0.71	0.08-0.32 dis	−0.72
W. Germany	2.94¼-2.97	2.95¼-2.96¼	1½-1¼pf pm	5.57	4-3¾ pm	5.23
Portugal	230.26-232.45	231.00-232.00	70-110c dis	−4.67	260-310 dis	−4.92
Spain	204.60-205.40	204.60-204.90	90-210c dis	−8.79	275-425 dis	−6.79
Italy	2133¾-2149¼	2142½-2143½	Par-3 lire dis	−0.84	4-8 dis	−1.12
Norway	10.82-10.86¾	10.82¾-10.83¾	4½-5¼ ore dis	−5.40	13¾-14⅝ dis	−5.24
France	9.81¾-9.89½	9.85¾-9.86¾	½pm-½ c dis	−0.23	⅝-1⅞ dis	−0.51
Sweden	10.31¼-10.38½	10.31¼-10.32¼	⅝-¼ ore pm	1.48	⅞-¼ pm	0.22
Japan	236¼-238¼	237¼-238¼	1¼-1 y pm	5.68	3⅛-2⅞ pm	5.05
Austria	20.73-20.84	20.77-20.80	9⅞-8½ gro pm	5.16	25⅝-23 pm	4.68
Switzerland	2.44¾-2.46¾	2.45¼-2.46¼	1¼-1 c pm	5.49	3¾-3⅛ pm	5.29

Belgian rate is for convertible francs. Financial franc 61.40-61.50. Six-month forward dollar 1.75-1.70 c pm. 12-month 2.92-2.82c pm.

CURRENCY RATES

July 2	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.78994	0.700330
U.S. Dollar	5.5	1.2792	1.13418
Canadian $	7.90	*	1.50847
Austrian Sch.	4	16.4486	14.5879
Belgian Franc	7½	48.5246	43.0253
Danish Krone	7	8.85999	7.85593
Deutsche Mark	3.0	2.3394	2.07465
Neth. Guilder	4½	2.63505	2.33721
French Franc	9½	7.8028	6.91853
Italian Lira	11.5	N/A	1502.23
Japanese Yen	2½	188.04	166.782
Norway Krone	8	8.57287	7.59960
Spanish Peseta	—	N/A	143.588
Swedish Krona	7½	"	7.24120
Swiss Franc.	3.5	"	1.72226
Greek Drach.	20½	"	155.769
Irish Punt	—	"	0.774188

*C$/SDR rate for July 1: N/A

DOLLAR SPOT—FORWARD AGAINST THE DOLLAR

July 2	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.6130-1.6210	1.6145-1.6155	0.36-0.33c pm	2.45	0.95-0.90 pm	2.29
Ireland†	1.4630-1.4660	1.4640-1.4650	0.42-0.37c pm	3.23	1.18-1.08 pm	3.08
Canada	1.3293-1.3305	1.3295-1.3305	0.15-0.18c dis	−1.49	0.40-0.45 dis	−1.28
Netherlands	2.0560-2.0645	2.0635-2.0645	0.30-0.27c pm	1.66	0.93-0.88 pm	1.76
Belgium	37.88-38.00	37.90-38.00	4-1c pm	0.79	8-3 pm	0.58
Denmark	6.92-6.94¼	6.93¾-6.94¼	1.05-1.65ore dis	−2.34	3.70-4.30 dis	−2.31
W. Germany	1.8245-1.832	1.8315-1.8325	0.51-0.48pf pm	3.25	1.53-1.48pm	3.29
Portugal	142¾-143½	143-143½	70-110c dis	−7.56	260-310 dis	−7.98
Spain	126.50-126.70	126.60-126.70	75-125c dis	−9.48	225-325 dis	−8.69
Italy	1322-1327¼	1326¼-1327¼	3.00-3.70lire dis	−3.03	9.50-11.00dis	−1.58
Norway	6.69¼-6.71	6.70½-6.71	4.05-4.55ore dis	−7.70	12.05-12.45dis	−7.32
France	6.08¼-6.11	6.10½-6.11	0.55-0.70c dis	−1.23	1.80-2.30 dis	−1.28
Sweden	6.38-6.39½	6.39-6.39½	0.75-0.95ore dis	−1.60	2.75-3.05 dis	−1.82
Japan	146.75-147.90	147.20-147.30	0.43-0.38y pm	3.30	1.17-1.10 pm	3.09
Austria	12.84-12.87	12.86¼-12.86¾	3.30-2.90gro pm	2.89	9.50-8.50pm	2.80
Switzerland	1.5150-1.5225	1.5215-1.5225	0.45-0.40c pm	3.36	1.27-1.22 pm	3.28

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 38.00-38.10

CURRENCY MOVEMENTS

July 2	Bank of England Index	Morgan Guaranty Changes %
Sterling	72.5	−21.1
U.S. Dollar	102.4	−4.7
Canadian Dollar	78.0	−10.4
Austrian Schilling	137.7	+10.2
Belgian Franc	99.9	−4.5
Danish Krone	92.4	+3.0
Deutsche Mark	146.8	+21.6
Swiss Franc	172.2	+22.5
Guilder	134.8	+14.6
French Franc	71.6	−13.0
Lira	47.1	−18.5
Yen	217.2	+62.0

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base average 1975=100).

EURO-CURRENCY INTEREST RATES

July 2	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	9⅞-9⅝	9⅝-9½	9⅝-9½	9½-9⅜	9 9/16-9 7/16	9 11/16-9 9/16
U.S. Dollar	6 7/16-6 5/16	6⅝-6½	6 11/16-6 9/16	6 15/16-7 1/16	7¼-7⅜	7 11/16-7 9/16
Can. Dollar	6¾-7	6¾-6⅞	6 13/16-7 1/16	7 1/16-7 3/16	7¼-7⅜	7⅝-7¾
D. Guilder	5-5⅛	5 5/16-5 3/16	5 5/16-5 3/16	5 5/16-5 3/16	5 7/16-5 5/16	5 9/16-5 7/16
Sw. Franc	1½-2	1⅞-2⅛	3⅜-3½	3⅝-3¾	3 13/16-3 11/16	3 15/16-3 13/16
Deutschmark	3 5/16-3 11/16	3 9/16-3 11/16	3⅝-3¾	3⅝-3¾	3 13/16-3 11/16	3⅞-4
Fr. Franc	7½-7¾	7 11/16-7 15/16	7⅞-8	8-8 3/16	8 5/16-8 7/16	8½-8⅝
Italian Lire	9-11	9⅛-9⅞	9¾-10¼	9⅞-10⅜	10⅛-10½	10½-11
B. Fr. (Fin.)	6¾-6⅞	6½-6⅝	6½-6⅝	6⅝-6¾	6¾-6⅞	7-7⅛
B. Fr. (Con.)	6¼-6⅝	6⅝-6¾	6⅝-6¾	6½-6⅝	6⅝-7	6¾-7
Yen	3⅝-3 11/16	3 9/16-3⅝	3¾-3 13/16	4-4⅛	4-4⅛	4-4 3/16
D. Krone	8¾-9¼	9-9½	9¾-9⅞	9½-10	9 13/16-10 3/16	10-10½
Asian $Sing	5-5½	N/A	4-4⅛	4¼-4⅜	4½-4⅝	4¾-4⅞

Long-term Eurodollars: Two years 8-8¼ per cent; three years 8⅜-8⅝ per cent; four years 8½-8¾ per cent; five years 8⅝-8⅞ per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others, two days' notice.

OTHER CURRENCIES

July 2	£	$
Argentina	2.9045-2.9180	1.7950-1.8020
Australia	2.2450-2.2480	1.3880-1.3890
Brazil	70.1130-70.5080	43.3280-43.5450
Finland	7.1880-7.2010	4.4450-4.4470
Greece	220.20-224.25	136.10-138.50
Hong Kong	12.6400-12.6500	7.8085-7.8095
Iran	116.10*	71.40*
Korea (Sth)	1300.80-1312.60	804.80-811.40
Kuwait	0.45680-0.45740	0.28245-0.28255
Luxembourg	61.20-61.30	37.90-38.00
Malaysia	4.0920-4.0970	2.5275-2.5285
Mexico	2178.00-2200.00	1346.00-1359.00
N. Zealand	2.7255-2.7305	1.6850-1.6870
Saudi Ar.	6.0655-6.0710	3.7500-3.7510
Singapore	3.4285-3.4325	2.1180-2.1190
S. Af. (Cm)	3.2980-3.3135	2.0430-2.0470
S. Af. (Fn)	5.4850-5.6775	3.3900-3.5090
Taiwan	50.15-50.40	31.05-31.15
U.A.E.	5.9400-5.9455	3.6725-3.6735

*Selling rate

Correction for July 1, Saudi Arabia £6.0580-6.0635

EXCHANGE CROSS RATES

July 2	£	$	DM	YEN	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1.	1.615	2.958	237.8	9.863	2.458	3.333	2143.	2.149	61.25
$	0.619	1.	1.832	147.3	6.108	1.522	2.064	1327.	1.331	37.95
DM	0.338	0.546	1.	80.39	3.335	0.831	1.127	724.6	0.727	20.71
YEN	4.206	6.793	12.44	1000.	41.48	10.34	14.02	9014.	9.039	257.6
F Fr.	1.014	1.638	2.999	241.1	10.	2.492	3.379	2173.	2.179	62.10
S Fr.	0.407	0.657	1.203	96.74	4.013	1.	1.356	872.0	0.874	24.92
H Fl.	0.300	0.485	0.887	71.34	2.959	0.737	1.	643.1	0.645	18.38
Lira	0.467	0.754	1.380	110.9	4.602	1.147	1.555	1000.	1.003	28.58
C $	0.465	0.752	1.376	110.5	4.589	1.144	1.551	997.2	1.	28.50
B Fr.	1.633	2.637	4.829	388.2	16.10	4.012	5.441	3499.	3.509	100.

Yen per 1,000: French Fr per 10: Lira per 1,000: Belgian Fr per 100.

FINANCIAL FUTURES

Gilts fall as bonds rise

PRICE CHANGES on the London International Financial Futures Exchange were partly technical yesterday, reflecting chart movements, and also followed the performance of the dollar and sterling.

Figures on UK official reserves and US unemployment were released, but had only a limited impact.

September long term gilt futures opened lower at 122-12, and rallied a little ahead of the reserve figures, on rumours of a rise above the level of $500m to $1bn expected by the market. The published fall of $230m was therefore a surprise, pushing the contract lower, but in limited trading.

After a period of relative stability long term gilts came under renewed pressure, on a build up of selling by local traders. There appeared to be no new factors behind the selling, but it took the September price down to a chart resistance level of 121-30, before closing at 122-00, compared with 122-15 on Wednesday.

Dealers suggested 121-30 is an important resistance level for the market, and with the cash market suffering indigestion from the recent supply of taplets by the Government broker, this may fail to hold, leading to a quick slide to 119-00.

A rise by the dollar above DM1.83 and Y147 provided support for US Treasury and bond futures. The September contract opened firmer at 91-22, the day's low. There was a further rise ahead of the US unemployment figures, and another improvement when the unemployment rate was announced a 6.1 per cent in June, compared with 6.3 per cent in *May. The figure was generally* forecast to be unchanged, but the market was looking for a larger rise than 116,000 in non-farm employment.

September bonds rose to meet resistance at 92-10, before finishing at 92-08.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls—Last Sept	Calls—Last Dec	Puts—Last Sept	Puts—Last Dec
116	6.12	6.49	0.12	0.59
118	4.28	5.20	0.28	1.30
120	2.60	4.03	0.60	2.13
122	1.47	3.00	1.47	3.10
124	0.61	2.15	2.61	4.25
126	0.30	1.37	4.30	5.47
128	0.14	1.05	6.14	7.15
130	0.07	0.45	8.07	8.55

Estimated volume total, Calls 2,926 Puts 1,649
Previous day's open int: Calls 25,212 Puts 17,636

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls—Last Sept	Calls—Last Dec	Puts—Last Sept	Puts—Last Dec
82	10.17	9.37	0.01	0.17
84	8.19	7.53	0.03	0.33
86	6.26	6.13	0.10	0.57
88	4.42	4.49	0.26	1.29
90	3.09	3.35	0.57	2.15
92	1.56	2.35	1.40	3.15
94	0.58	1.48	2.42	4.28
96	0.26	1.11	4.10	5.55

Estimated volume total, Calls 60 Puts 45
Previous day's open int: Calls 1,563 Puts 561

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls-Last July	Calls-Last Aug.	Puts-Last July	Puts-Last Aug.
22750	8.03	10.16	1.33	3.46
23000	6.26	8.60	2.06	4.40
23250	4.73	7.20	3.03	5.50
23500	3.45	5.95	4.25	6.75
23750	2.43	4.86	5.73	8.16
24000	1.65	3.92	7.45	9.72
24250	1.08	3.13	9.38	11.43
24500	0.67	2.46	11.47	13.26

Estimated volume total, Calls 8 Puts 8
Previous day's open int: Calls 163 Puts 68

LIFFE £/$ OPTIONS
£25,000 (cents per £1)

Strike Price	Calls—Last July	Aug.	Sept.	Dec.	Puts—Last July	Aug.	Sept.	Dec.
1.45	—	16.60	16.60	16.60	—	—	—	—
1.50	11.60	11.60	11.60	11.60	0.00	0.03	0.17	0.93
1.55	6.60	6.60	6.70	7.70	0.03	0.30	0.88	2.18
1.60	1.94	2.61	3.15	4.39	0.42	1.44	2.25	4.20
1.65	0.10	0.61	1.15	2.40	3.58	4.44	5.25	7.21
1.70	0.01	0.19	0.31	1.17	8.49	9.02	9.41	10.98
1.75	0.00	0.02	0.06	0.51	13.48	13.85	14.16	15.32

Estimated volume total, Calls 0 Puts 0
Previous day's open int: Calls 661 Puts 1,800

LONDON SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls—Last Aug.	Sept.	Dec.	Mar.	Puts—Last Aug.	Sept.	Dec.	Mar.
1.45	—	—	12.70	12.90	—	—	1.50	2.70
1.50	12.40	12.40	12.40	12.80	0.20	0.25	0.50	1.00
1.55	7.40	7.40	8.20	8.20	0.25	0.50	1.00	2.00
1.60	2.40	3.40	3.50	4.90	0.50	1.55	2.25	3.75
1.65	0.25	1.20	1.40	2.80	3.25	4.15	4.90	6.60
1.70	0.20	0.40	0.65	1.50	8.10	8.85	9.80	10.30
1.75	0.20	0.35	0.50	1.20	14.30	14.80	15.30	16.50

Previous day's open int: Calls 2,029 Puts 278
Volume: 0

PHILADELPHIA SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls—Last July	Aug.	Sept.	Dec.	Puts—Last July	Aug.	Sept.	Dec.
1.600	1.90	2.50	3.30	4.30	0.10	1.15	2.00	3.60
1.625	0.35	1.40	2.20	—	1.10	2.05	2.95	—
1.650	—	0.65	1.20	2.40	3.05	4.05	4.55	6.50
1.675	—	0.25	0.60	1.80	5.50	6.25	—	8.05
1.700	—	0.25	1.25	8.05	18.00	8.35	—	—
1.725	—	0.15	0.85	10.45	10.35	10.90	12.10	—
1.750	—	0.10	0.05	12.55	12.80	13.25	14.20	—

Previous day's open int: Calls 131,659 Puts 76,977
Previous day's volume: Calls 2,396 Puts 1,562

LIFFE—EURODOLLAR OPTIONS
$1m points of 100%

Strike Price	Calls—Last June	Sept.	Dec.	Mar.	Puts—Last June	Sept.	Dec.	Mar.
91.25	1.52	1.32	1.24	—	0.00	0.08	0.23	—
91.50	1.27	1.11	1.04	—	0.00	0.12	0.30	—
91.75	1.03	0.91	0.88	—	0.00	0.17	0.37	—
92.00	0.79	0.73	0.72	—	0.02	0.24	0.46	—
92.25	0.56	0.58	0.56	—	0.05	0.32	0.57	—
92.50	0.38	0.42	0.45	—	0.11	0.43	0.69	—
92.75	0.23	0.30	0.34	—	0.21	0.56	0.83	—

Estimated volume total, Calls 50 Puts 50
Previous day's open int: Calls 1,788 Puts 1,997

LONDON

20-YEAR 12% NOTIONAL GILT
£50,000 32nds of 100%

	Close	High	Low	Prev.
Sept.	122-00	122-26	121-30	122-15
Dec.	121-27	122-08	121-25	122-11

Estimated volume 25,274 (25,987)
Previous day's open int. 29,027 (28,429)

10% NOTIONAL SHORT GILT
£100,000 64ths of 100%

	Close	High	Low	Prev.
June	—	—	—	—

Estimated Volume 0 (0)
Previous day's open int. 0 (0)

THREE-MONTH STERLING
£500,000 points of 100%

	Close	High	Low	Prev.
Sept.	90.68	90.86	90.64	90.84
Dec.	90.66	90.82	90.64	90.82
Mar.	90.72	90.77	90.61	90.75
June	90.54	90.57	90.57	90.70
Sept.	90.40	90.52	90.52	90.52

Estimated Volume 7,049 (4,262)
Previous day's open int. 14,711 (14,999)

FT-SE 100 INDEX
£25 per full index point

	Close	High	Low	Prev.
Sept.	234.20	235.00	232.35	232.45
Dec.	238.70	—	—	236.95

Estimated Volume 1,049 (957)
Previous day's open int. 4,909 (N/A)

THREE-MONTH EURODOLLAR
$1m points of 100%

	Close	High	Low	Prev.
Sept.	92.77	92.78	92.69	92.63
Dec.	92.49	92.49	92.40	92.35
March	92.26	92.26	92.22	92.14
June	92.04	92.05	92.02	91.94
Sept.	91.84	91.82	91.82	91.75
Dec.	91.65	—	—	91.56
Mar.	91.49	—	—	91.40

Estimated Volume 5,484 (3,874)
Previous day's open int. 26,918 (N/A)

U.S. TREASURY BONDS 8%
$100,000 32nds of 100%

	Close	High	Low	Prev.
Sept.	92-08	92-10	91-22	91-16
Dec.	91-12	—	—	90-18

Estimated Volume 4,816 (3,509)
Previous day's open int. 4,274 (4,419)

CURRENCY FUTURES

POUND—$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.6150	1.6116	1.6058	1.5978	1.5863

IMM—STERLING $s per £

	Latest	High	Low	Prev
Sept.	1.6115	1.6140	1.6100	1.6105
Dec.	1.6045	1.6080	1.6025	1.6040
Mar.	1.6000	1.6030	—	1.6000

LIFFE—STERLING £25,000 $ per £

	Close	High	Low	Prev
Sept.	1.6090	1.6140	1.6120	1.6103
Dec.	1.6019	—	—	1.6036
Mar.	1.5958	—	—	1.5978

Estimated volume 124(23)
Previous day's open int 719 (705)

CHICAGO

U.S. TREASURY BONDS (CBT) 8%
$100,000 32nds of 100%

	Latest	High	Low	Prev.
Sept.	92-03	92-10	91-17	91-19
Dec.	91-04	91-11	90-20	90-20
Mar.	90-08	90-14	89-25	89-23
June	89-13	89-18	89-00	88-29
Sept.	88-20	88-24	88-17	88-03
Dec.	—	—	—	87-12
Mar.	—	—	—	86-23
June	—	—	—	86-04
Sept.	—	—	—	85-17
Dec.	—	—	—	85-04
Mar.	—	—	—	84-22

U.S. TREASURY BILLS (IMM)
$1m points of 100%

	Latest	High	Low	Prev.
Sept.	94.10	94.13	94.04	94.03
Dec.	93.85	93.88	93.78	93.78
Mar.	93.63	93.66	93.62	93.58
Jun.	93.43	93.46	—	93.39
Sep.	—	—	—	93.21
Dec.	—	—	—	92.97
Mar.	—	—	—	92.82

SWISS FRANC (IMM)
SFr 125,000 $ per SFr

	Latest	High	Low	Prev.
Sep.	0.6625	0.6635	0.6620	0.6638
Dec.	0.6675	0.6693	0.6673	0.6698
Mar.	0.6735	—	0.6735	0.6760
June.	—	—	—	0.6820

JAPANESE YEN (IMM)
Y12.5m $ per Y100

	Latest	High	Low	Prev.
Sept.	0.6835	0.6845	0.6832	0.6857
Dec.	0.6890	0.6885	0.6885	0.6910
Mar.	0.6960	—	0.6960	0.6975
June	—	—	—	0.7045

DEUTSCHE MARK (IMM)
DM125,000 $ per DM

	Latest	High	Low	Prev.
Sept.	0.5501	0.5506	0.5496	0.5510
Dec.	0.5545	0.5551	0.5545	0.5559
Mar.	—	—	—	0.5610

THREE-MONTH EURODOLLAR (IMM)
$1m points of 100%

	Latest	High	Low	Prev.
Sept.	92.75	92.78	92.71	92.67
Dec.	92.47	92.50	92.43	92.40
Mar.	92.24	92.27	92.21	92.18
June	92.03	92.06	92.01	91.98
Sept.	91.83	91.85	91.81	91.79
Dec.	91.64	91.66	91.62	91.60
Mar.	91.43	91.46	91.43	91.41
June	91.26	91.29	91.25	91.24

STANDARD & POORS 500 INDEX
$500 times index

	Latest	High	Low	Prev.
Sept.	306.70	307.60	306.00	304.80
Dec.	—	310.00	308.40	307.15
Mar.	311.00	312.00	310.30	309.30
June	312.80	314.00	312.80	311.30

MONEY MARKETS

Rates firm in quiet market

INTEREST RATES were slightly firmer on the London money market yesterday. Three-month interbank rose to 9 7/16-9 5/16 per cent from 9¼-9⅛ per cent, and 12-month to 9 9/16-9 7/16 per cent from 9⅜-9¼ per cent, indicating the lack of any expectation of an early reduction in bank base rates.

The market was very quiet, with many dealing desks perating on low staff levels, because of interest in various sporting events.

UK clearing bank base lending rate 9 per cent since May 8

There was a cautious attitude to the unexpected fall of $230m in June UK officials réserves, compared with the record rise of $4.76bn in May.

Dealers expected the downward pressure on sterling, after last month's general election, to have an impact on the figure, but generall forecast a rise in reserves of about $500m to $1bn.

The Bank of England initially forecast a money market shortage of £850m, but revised this to £750m in the afternoon. Total help provided was only £430m. Dealers commented that the official forecast shortage appeared to be too high, but this was not reflected in the overnight interbank, which rose to a peak of 13 per cent in late trading, as an indication that the market remained short of funds.

Before lunch the authorities bought £184m bills outright, by way of £28m bank bills in band 1 at 8⅝ per cent; £71m bank bills in band 2 at 8⅝ per cent; £10m Treasury bills in band 3 at 8⅝ per cent; £22m local authority bills in band 3 at 8⅝ per cent; and £53m bank bills in band 3 at 8⅝ per cent.

In the afternoon the Bank of England purchased a further £176m bills outright, through £20m Treasury bills in band 1 at 8⅝ per cent; £1m bank bills in band 1 at 8⅝ per cent; £49m bank bills in band 2 at 8⅝ per cent; £98m bank bills in band 3 at 8⅝ per cent; and £8m bank bills in band 4 at 8⅝ per cent.

Late assistance of £70m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £580m, with Exchequer transactions absorbing £315m, and a rise in the note circulation £50m.

In Paris the Bank of France sold FFr 4.92bn of Treasury tap stock at yesterday's regular monthly tender. The authorities had set an original range for the offer of one floating rate and two fixed rates tranche of stock of between FFr 4bn and FFr 7bn.

FT LONDON INTERBANK FIXING

(11.00 a.m. July 2) 3 months U.S. dollars		6 months U.S. dollars	
bid 7⅛	offer 7¼	bid 7 5/16	offer 7 7/16

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	8¼
Broker loan rate	8
Fed. funds	6⅝
Fed funds at intervention	6¼

Treasury Bills and Bonds

One month	4.58	Three year	7.62
Two month	5.42	Four year	7.84
Three month	5.81	Five year	7.92
Six month	6.00	Seven year	8.15
One year	6.56	10 year	8.30
Two year	7.37	30 year	8.45

July 2	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	3.50-3.60	3.65-3.75	3.65-3.75	3.65-3.75	3.70-3.85	5.0
Paris	7¾-7⅞	7 13/16-8 1/16	8-8¼	8⅛-8¼	8¼-8½	7½
Zurich	¾-1⅛	3¼-3½	—	3½-3¾	—	—
Amsterdam	5⅛-5¼	5⅛-5¼	—	5 3/16-5 5/16	—	—
Tokyo	3.34375	3.53125	—	3.65625	—	—
Milan	10½-11⅛	10¾-11⅛	—	11-11⅛	—	—
Brussels	7.00	6 7/16-6 11/16	—	6⅝-6¾	—	—
Dublin	10⅛-10⅜	10⅜-10½	10⅜-10½	10⅜-10½	10⅜-10⅝	—

LONDON MONEY RATES

July 2	Overnight	7 days notice	Month	Three Months	Six Months	One Year
Interbank	13-9	9½-9⅜	9⅝-9½	9 7/16-9 5/16	9 9/16-9 7/16	9 11/16-9 9/16
Sterling CDs	—	—	9 5/16-9 3/16	9 5/16-9 3/16	9 7/16-9 5/16	9 9/16-9 7/16
Local Authority Deposits	9⅜	9⅜	9⅜	9 7/16	9 7/16	9⅝
Local Authority Bonds	—	—	9 7/16	9 7/16	9⅝	9½
Discount M'ket Deposits	9½	9⅛	9⅛	8⅞	—	—
Company Deposits	—	—	9⅜-9¼	9 3/16	9¼	9⅜
Finance House Deposits	—	—	9¼	9¼	9¼	9 5/16
Treasury Bills (Buy)	—	—	8⅝	8⅝	—	—
Bank Bills (Buy)	—	—	8 11/16	8⅝	8 11/16	—
Fine Trade Bills (Buy)	—	—	9 3/16	9½	9 3/16	—
Dollar CDs	—	—	6.95-6.90	7.00-6.95	7.15-7.10	7.55-7.50
SDR Linked Deposits	—	—	6¼-6⅜	6¼-6	6 7/16-6 5/16	6⅝-6⅜
ECU Linked Deposits	—	—	6 5/16-6 3/16	6¼-6⅝	6 13/16-6 11/16	7¼-7

Treasury Bills (sell); one-month 8 11/16 per cent; three-months 8 11/16 per cent; Bank Bills (sell): one-month 8⅝ per cent; three months 8 11/16 per cent; Treasury Bills; Average tender rate of discount 8.7617 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day June 30, 1987. Agreed rates for period July 26 to August 25, 1987, Scheme I: 10.47 p.c., Schemes II & III: 10.17 p.c. Reference rate for period May 30 to June 30, 1987, Scheme IV: 8.940 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 9 per cent from July 1, 1987: Bank Deposit Rates for sums at seven days' notice 3-3½ per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 8 per cent; one-three months 8¼ per cent; three-six months 9 per cent; six-nine months 9 per cent; nine-12 months 9⅛ per cent; Under £100,000 8 per cent from July 2, Deposits withdrawn for cash 5 per cent.

$ WORLD VALUE OF THE DOLLAR

BANK OF AMERICA GLOBAL TRADING ECONOMICS DEPT., LONDON

The table below gives the rates of exchange for the U.S. dollar against various currencies as of Wednesday, July 1, 1987. The exchange rates listed are middle rates between buying and selling rates as quoted between banks, unless otherwise indicated. All currencies are quoted in foreign currency units per one U.S. dollar except in certain specified areas. All rates quoted are indicative. They are not based on, and are not intended to be used as a basis for, particular transactions.

Bank of America NT & SA does not undertake to trade in all listed foreign currencies, and neither Bank of America NT & SA nor the Financial Times assume responsibility for errors.

Bank of America Global Trading, London,
New York, Tokyo, San Francisco, Los Angeles, Toronto.
24-hours a day trading capability.
Enquiries: 01-634 4360/5. Dealing: 01-236 9861.

ECU=$US1.139 SDR1=$US1.28
As of July 1, at 11.00 a.m.

	3 months	6 months
Eurodollar Libor:	7 3/16	7⅜
Sibor:	7 3/16	7⅜

COUNTRY	CURRENCY	VALUE OF DOLLAR
Afghanistan	Afghani (o)	50.60
Albania	Lek	6.2192
Algeria	Dinar	4.67
Andorra	French Franc	6.078
	Spanish Peseta	126.25
Angola	Kwanza	29.918
Antigua	E. Caribbean $	2.70
Argentina	Austral	1.7985
Aruba	Florin	1.79
Australia	Dollar	1.3849
Austria	Schilling	12.805
Azores	Portuguese Escudo	142.70
Bahamas	Dollar	1.00
Bahrain	Dinar	0.3769
Balearic Islands	Spanish Peseta	126.25
Bangladesh	Taka	31.00
Barbados	Dollar	2.0113
Belgium	Franc (c)	37.78
	Franc (f)	37.916
Belize	Dollar	2.00
Benin	C.F.A. Franc	303.90
Bermuda	Dollar	1.00
Bhutan	Ngultrum	12.86
Bolivia	Boliviano (o)	2.08
	Boliviano (f)	2.60
Botswana	Pula	1.6906
Brazil	Cruzado (o) (5)	43.265
Brunei	Dollar	2.119
Bulgaria	Lev	0.8634
Burkina Faso	C.F.A. Franc	303.90
Burma	Kyat	6.7032
Burundi	Franc	125.587
Cameroun Rp.	C.F.A. Franc	303.90
Canada	Dollar	1.3306
Canary Islands	Spanish Peseta	126.25
Cape Verde Islands	Escudo	72.405
Cayman Islands	Dollar	0.835
Central African Rep.	C.F.A. Franc	303.90
Chad	C.F.A. Franc	303.90
Chile	Peso (o)	219.63
China	Renminbi Yuan	3.722
Colombia	Peso (o)	242.50
Comoros	C.F.A. Franc	303.90
Congo People's Rep. of	C.F.A. Franc	303.90
Costa Rica	Colon	62.10
Cote d'Ivoire	C.F.A. Franc	303.90
Cuba	Peso	0.8301
Cyprus	Pound*	2.0534
Czechoslovakia	Koruna (o)	5.40
Denmark	Krone	6.8997
Djibouti Rep. of	Franc	177.00
Dominica	E. Caribbean $	2.70
Dominican Republic	Peso	3.72
Ecuador	Sucre (d)	192.00
	Sucre (f)	161.50
Egypt	Pound (o) (3)	0.70
	Pound (d) (3)	2.2028
El Salvador	Colon (o)	5.00
	Colon (d)	5.00
Equatorial Guinea	C.F.A. Franc	303.90
Ethiopia	Birr (o)	2.07
Faeroe Islands	Danish Krone	6.8997
Falkland Islands	Pound*	1.624
Fiji	Dollar (6)	1.304
Finland	Markka	4.44
France	Franc	6.078
French C'ty in Africa	C.F.A. Franc	303.90
French Guiana	Franc	6.078
French Pacific Islands	C.F.P. Franc	110.509
Gabon	C.F.A. Franc	303.90
Gambia	Dalasi	7.44
Germany (East)	Ostmark (o)	1.8221
Germany (West)	Deutsche Mark	1.8221
Ghana	Cedi	161.00

COUNTRY	CURRENCY	VALUE OF DOLLAR
Gibraltar	Pound*	1.624
Greece	Drachma	136.90
Greenland	Danish Krone	6.8997
Grenada	E. Caribbean $	2.70
Guadaloupe	Franc	6.078
Guam	U.S. $	1.00
Guatemala	Quetzal (o)	1.00
	Quetzal (h, i)	2.745
Guinea Bissau	Peso (1)	650.00
Guinea Republic	Franc	340.00
	Franc (l)	300.00
Guyana	Dollar	10.00
	Dollar (a)	20.00
Haiti	Gourde	5.00
Honduras Republic	Lempira (o)	2.00
Hong Kong	Dollar	7.81
Hungary	Forint	47.836
Iceland	Krona	38.96
India	Rupee	12.86
Indonesia	Rupiah	1646.00
Iran	Rial (o)	71.9982
Iraq	Dinar	0.3109
Irish Republic	Punt*	1.4704
Israel	New Shekel	1.609
Italy	Lira	1320.65
Jamaica	Dollar (o)	5.48
Japan	Yen	146.55
Jordan	Dinar	0.342
Kampuchea	Riel	n.a.
Kenya	Shilling	16.182
Kiribati	Australian Dollar	1.3849
Korea (North)	Won	0.94
Korea (South)	Won	808.90
Kuwait	Dinar	0.282
Laos P'les D Rep.	Kip	35.00
Lebanon	Pound	142.37
Lesotho	Maloti	2.0334
Liberia	Dollar	1.00
Libya	Dinar	0.2995
Liechtenstein	Swiss Franc	1.5108
Luxembourg	Luxembourg Franc	37.78
Macao	Pataca	8.0443
Madagascar Dm. Rp.	Franc(7)	1359.18
Madeira	Portuguese Escudo	142.70
Malawi	Kwacha	2.2784
Malaysia	Ringgit	2.5265
Maldive Islands	Rufiyaa	10.10
Mali Republic	C.F.A. Franc	303.90
Malta	Lira*	2.8777
Martinique	Franc	6.078
Mauritania	Ouguiya	74.80
Mauritius	Rupee	13.003
Mexico	Peso (d)	1351.50
	Peso (e)	1347.35
Miquelon	French Franc	6.078
Monaco	French Franc	6.078
Mongolia	Tugrik (o)	3.3555
Montserrat	E. Caribbean $	2.70
Morocco	Dirham	8.36
Mozambique	Metical	202.00
Namibia	S. A. Rand	2.0334
Nauru Islands	Australian Dollar	1.3849
Nepal	Rupee	21.00
Netherlands	Guilder	2.0513
Netherlands Antilles	Guilder	1.79
New Zealand	Dollar	1.677
Nicaragua	Cordoba	900.00
	Cordoba (o)	70.00
	Cordoba (d)	2190.00
Niger Republic	C.F.A. Franc	303.90
Nigeria	Naira (d)	3.7375
	Naira (o)	3.7258
Norway	Krone	6.6845
Oman Sultanate of	Rial	0.385
Pakistan	Rupee	17.393
Panama	Balboa	1.00

COUNTRY	CURRENCY	VALUE OF DOLLAR
Papua New Guinea	Kina	0.8981
Paraguay	Guarani (o)	240.00
	Guarani (p)	550.00
	Guarani (d)	794.50
Peru	Inti (o) (n)	15.89
	Inti (f)	30.50
	Inti (l)	19.88
Philippines	Peso	20.45
Pitcairn Islands	N.Z. Dollar	1.677
Poland	Zloty (o)	262.92
Portugal	Escudo	142.70
Puerto Rico	U.S. $	1.00
Qatar	Riyal	3.641
Reunion Isle de la	French Franc	6.078
Romania	Leu (c)	10.04
Rwanda	Franc	80.1185
St. Christopher	E. Caribbean $	2.70
St. Helena	Pound*	1.624
St. Lucia	E. Caribbean $	2.70
St. Pierre	French Franc	6.078
St. Vincent	E. Caribbean $	2.70
Samoa (Western)	Tala	2.1245
Samoa (Am)	US $	1.00
San Marino	Italian Lira	1320.65
São Tomé & Princip DR	Dobra	35.297
Saudi Arabia	Riyal	3.751
Senegal	C.F.A. Franc	303.90
Seychelles	Rupee	5.6432
Sierra Leone	Leone	34.80
Singapore	Dollar	2.119
Solomon Islands	Dollar	2.0182
Somali Republic	Shilling (d)	120.20
South Africa	Rand (f)	3.4188
	Rand (c)	2.0334
Spain	Peseta	126.25
Spanish ports in North Africa	Spanish Peseta	126.25
Sri Lanka	Rupee	29.255
Sudan Republic	Pound (o)	2.45
	Pound (k)	2.93
	Pound (f)	4.00
Surinam	Guilder	1.785
Swaziland	Lilangeni	2.0334
Sweden	Krona	6.3685
Switzerland	Franc	1.5108
Syria	Pound (o)	3.925
Taiwan	Dollar (o)	31.08
Tanzania	Shilling	63.376
Thailand	Baht	25.82
Togo Republic	C.F.A. Franc	303.90
Tonga Islands	Pa'anga	1.3849
Trinidad & Tobago	Dollar	3.60
Tunisia	Dinar	0.8333
Turkey	Lira	853.80
Turks & Caicos Islands	US $	1.00
Tuvalu	Australian Dollar	1.3849
Uganda	New Shilling (l) (4)	59.88
United Arab Emirates	Dirham	3.673
United Kingdom	Pound Sterling*	1.624
Uruguay	Peso (m)	221.50
USSR	Rouble	0.6389
Vanuatu	Vatu	110.766
Vatican	Lira	1320.65
Venezuela	Bolivar (o)	14.50
	Bolivar (n)	7.50
	Bolivar (d)	28.55
Vietnam	Dong (o)	80.00
Virgin Islands (British)	US $	1.00
Virgin Islands (US)	US $	1.00
Yemen	Rial	9.50
Yemen PDR	Dinar	0.343
Yugoslavia	Dinar	664.50
Zaire Republic	Zaire	120.30
Zambia	Kwacha (2)	8.0451
Zimbabwe	Dollar	1.6717

n.a. Not available. (m) Market rate. *U.S. dollars per National Currency unit. (a) Parallel Rate. (o) Official rate. (b) Floating Rate. (c) Commercial rate. (d) Freemarket. (e) Controlled. (f) Financial rate. (g) Preferential rates. (h) Non essential imports. (i) Floating tourist rate. (j) Public Transaction Rate. (k) Agricultural products. (l) Priority Rate. (n) Essential imports. (p) Exports. (1) Guinea Bissau, 4 May 87: Peso devalued by approx. 41%. (2) Zambia, 5 May 87: Kwacha pegged to the Dollar. (3) Egypt, 12 May 87: Partial flotation of the Pound announced. (4) Uganda, 18 May 87: New Shilling introduced, equal to 100 Old Shillings. (5) Brazil, 16 June 87: Cruzado devalued by approx. 8.67%. (6) Fiji, 29 June 87: Dollar devalued by approx. 17.75%. (7) Madagascar, 29 June 87: Franc devalued by approx. 36%.

For further information please contact your local branch of the Bank of America.

WORLD MARKETS

FT-ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY JULY 1 1987					TUESDAY JUNE 30 1987			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1987 High	1987 Low	Year ago (approx)
Australia (96)	134.73	+0.6	123.57	124.11	3.16	133.88	123.02	123.60	141.44	99.92	77.54
Austria (16)	86.91	+0.0	79.71	82.43	2.25	86.90	79.84	82.40	101.62	85.71	88.15
Belgium (48)	120.58	−0.2	110.59	113.00	4.24	120.86	111.05	113.26	123.62	96.19	80.77
Canada (132)	128.50	+0.2	117.85	123.70	2.29	128.30	117.89	123.70	136.17	100.00	99.65
Denmark (39)	116.64	−0.1	106.98	109.74	2.52	116.73	107.26	109.94	124.10	98.18	96.39
France (122)	107.00	+0.2	98.14	102.39	2.76	106.81	98.14	102.04	121.82	98.39	83.91
West Germany (92)	96.26	−0.1	88.29	91.49	2.07	96.40	88.57	91.49	100.33	84.00	82.30
Hong Kong (45)	125.43	−0.3	115.03	125.76	2.87	125.83	115.62	126.17	125.92	96.89	70.99
Ireland (14)	131.30	−0.6	120.42	126.20	3.55	132.13	121.41	126.87	132.13	99.50	92.38
Italy (76)	97.12	−0.8	89.07	95.92	1.89	97.86	89.92	96.62	112.11	94.76	83.61
Japan (458)	140.18	+0.2	128.57	130.04	0.52	139.94	128.59	129.81	161.28	100.00	81.74
Malaysia (36)	170.89	+0.1	156.73	166.25	2.28	170.72	156.87	166.20	172.55	98.24	84.35
Mexico (14)	238.75	−3.2	218.97	352.54	0.65	246.53	226.53	363.21	268.91	99.72	49.30
Netherland (38)	123.09	−0.3	112.90	115.62	3.83	123.44	113.43	115.78	123.44	99.65	90.04
New Zealand (26)	98.34	+0.6	90.20	87.55	3.23	97.73	89.80	87.44	100.59	83.93	72.83
Norway (24)	140.87	+0.1	129.20	127.92	2.24	140.75	129.33	128.04	140.87	100.00	100.74
Singapore (27)	145.84	+0.2	133.76	142.35	1.73	145.59	133.77	142.13	146.71	99.29	78.38
South Africa (61)	157.25	−1.0	144.22	118.56	3.53	158.79	145.90	117.69	186.74	100.00	76.88
Spain (43)	122.10	−0.9	111.99	117.11	3.36	123.25	113.25	118.21	123.93	100.00	80.74
Sweden (33)	112.68	−0.5	103.35	106.43	2.18	113.21	104.02	106.92	124.68	90.85	90.21
Switzerland (53)	97.73	−1.4	89.63	92.03	1.84	99.11	91.06	93.09	104.06	92.01	85.79
United Kingdom (336)	149.66	−0.2	137.26	137.26	3.15	150.03	137.85	137.85	153.12	99.65	102.97
USA (591)	123.96	−0.3	113.69	123.96	2.92	124.35	114.26	124.35	126.68	100.00	105.83
Europe (934)	121.69	−0.3	111.60	114.09	2.84	122.07	112.17	114.49	122.29	99.78	91.37
Pacific Basin (688)	139.35	+0.2	127.80	129.49	0.69	139.10	127.81	129.27	158.77	100.00	81.25
Euro-Pacific (1622)	132.32	+0.0	121.36	123.32	1.48	132.33	121.59	123.35	143.65	100.00	85.25
North America (723)	124.20	−0.3	113.91	123.97	2.89	124.56	114.45	124.34	126.70	100.00	105.51
Europe Ex. UK (598)	104.32	−0.4	95.68	99.61	2.56	104.72	96.23	99.88	107.75	98.02	84.36
Pacific Ex. Japan (230)	129.21	+0.3	118.51	122.50	2.97	128.85	118.40	122.35	130.47	99.92	75.11
World Ex. US (1829)	132.52	+0.0	121.54	123.44	1.54	132.54	121.79	123.46	143.38	100.00	85.63
World Ex. UK (2084)	127.16	−0.1	116.62	122.42	1.93	127.30	116.97	122.53	133.61	100.00	92.67
World Ex. So. Af. (2359)	128.97	−0.1	118.29	123.79	2.04	129.13	118.65	123.96	135.02	100.00	93.64
World Ex. Japan (1962)	123.93	−0.3	113.66	120.69	2.88	124.29	114.20	121.04	125.15	100.00	99.19
The World Index (2420)	129.15	−0.1	118.45	123.78	2.05	129.32	118.82	123.94	135.15	100.00	93.54

Base values: Dec 31, 1986 = 100

Latest prices were unavailable for this edition.

EUROPEAN OPTIONS EXCHANGE

Series		Aug 87 Vol.	Aug 87 Last	Nov 87 Vol.	Nov 87 Last	Feb 88 Vol.	Feb 88 Last	Stock
GOLD C	$460	5	8.50	—	—	—	—	$447.20
GOLD C	$480	—	—	51	15.50	5	27	"
GOLD P	$420	20	3.40	25	7.50	—	—	"
GOLD P	$440	30	7.50	15	14	—	—	"
		Sep 87		Dec 87		Mch 88		
SILVER C	$700	10	90	—	—	—	—	$743
SILVER C	$750	3	65	—	—	—	—	"
SILVER C	$800	10	50	33	85	—	—	"
SILVER C	$850	—	—	15	60	—	—	"
SILVER C	$900	—	—	15	45	—	—	"
SILVER P	$600	—	—	—	—	10	20	"
SILVER P	$700	3	30	—	—	—	—	"
		Jul 87		Aug 87		Sep 87		
S/FL C	Fl.205	4	1.70	—	—	—	—	Fl.206.10
S/Fl. P	Fl.195	—	—	—	—	2	0.90	"
		Dec 87		Mch 88		Jun 88		
S/Fl C	Fl.200	25	8.20	—	—	—	—	Fl.206.10
S/Fl C	Fl.205	3	5.70	—	—	—	—	"
S/Fl C	Fl.210	—	—	10	5	3	5.80	"
S/Fl C	Fl.215	—	—	10	3.50	10	4.20	"
S/Fl P	Fl.190	10	0.90	10	2.40	—	—	"

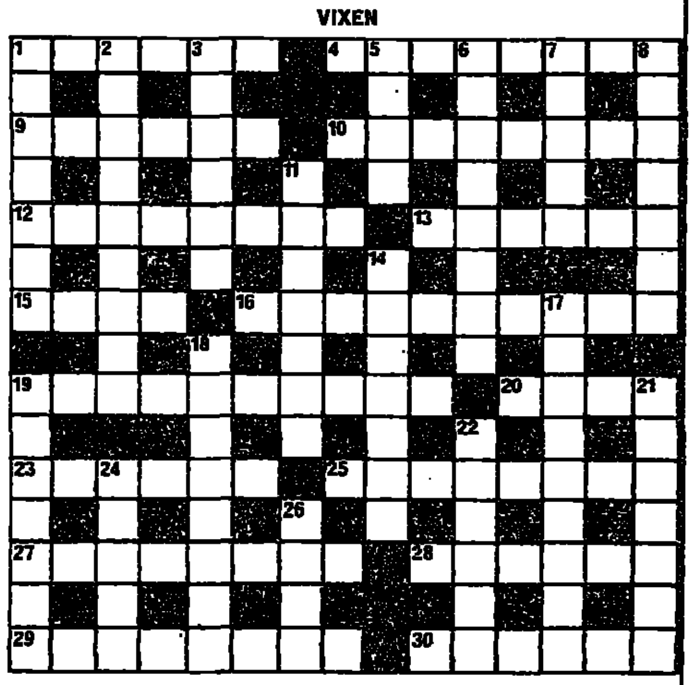
		July 87		Oct 87		Jan 88		
ABN C	Fl.480	60	5.30	37	17	6	28	Fl.478.50
AEGON C	Fl.90	414	6.50	46	9	—	—	Fl.96.30
AEGON P	Fl.85	100	0.20	23	1.20	—	—	"
AHOLD C	Fl.105	2	1	68	4.80	—	—	Fl.104
AHOLD P	Fl.105	—	—	15	5.10	—	—	"
AKZO C	Fl.170	141	0.30	1110	3.70	246	6.30	Fl.155.60
AKZO P	Fl.150	127	0.70	292	3.70	74	5.70	"
AMEV C	Fl.70	10	0.30B	154	2	—	—	Fl.64.70
AMEV P	Fl.60	88	0.30	—	—	4	3	"
AMRO C	Fl.80	82	0.70B	340	2.90	52	4.10	Fl.77
AMRO P	Fl.75	25	0.80	343	2.90	—	—	"
ELSEVIER C	Fl.54	104	1.20	495	4.30	—	—	Fl.54
ELSEVIER P	Fl.50	10	0.40	425	1.40	15	3	"
GIST-BROC. C	Fl.50	22	0.20	37	1.80	90	2.80	Fl.46.20
GIST-BROC. P	Fl.45	44	0.50	84	2.50	10	2.70	"
HEINEKEN C	Fl.180	57	2.60	40	8.90	10	12	Fl.179
HEINEKEN P	Fl.180	14	2.50	3	7	—	—	"
HOOGOVENS C	Fl.45	1116	1.80	462	4.40	77	5.70	Fl.45.50
HOGOVENS P	Fl.45	41	1.30	348	3.10	67	3.90	"
KLM C	Fl.45	264	7.10	855	7.20	84	8	Fl.51.90
KLM P	Fl.50	413	0.60	318	2.40B	3	2.80	"
NEDLLOYD C	Fl.140	75	12	7	15.60	—	—	Fl.152
NEDLLOYD P	Fl.130	—	—	27	1.30	—	—	"
NAT.NED. C	Fl.75	77	0.80	330	3.40	12	5.50	Fl.73.30
NAT.NED. P	Fl.70	—	—	56	2	109	3.10	"
PHILIPS C	Fl.50	344	1.90	838	4.30	237	5.40	Fl.51.60
PHILIPS P	Fl.50	285	0.40	556	1.80	26	2.70B	"
ROYAL DUTCH C	Fl.270	2359	8	737	14.40	359	16.40B	Fl.276.80
ROYAL DUTCH P	Fl.260	152	0.50	506	3.70B	12	6.30	"
ROBECO C	Fl.100	10	6.10	2	7.50	—	—	Fl.106.50
ROBECO P	Fl.105	—	—	10	1.70	—	—	"
UNILEVER C	Fl.136	504	1.80	101	7.30	—	—	Fl.136.30
UNILEVER P	Fl.136	58	1.70	387	5	27	6.70	"

TOTAL VOLUME IN CONTRACTS: 45,881

A=Ask B=Bid C=Call P=Put

FT CROSSWORD PUZZLE No. 6,368

VIXEN

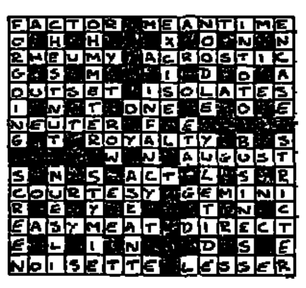


ACROSS

1 Shoot into a beastly place—quite unattractive-looking (6)
4 Reacting in rash fashion? (8)
9 Popular company, even though not in very good shape (6)
10 Becoming exceptionally careful after middle-age (8)
12 Spoilt and naughty child taken on an outing (8)
13 Look for a soft fruit (6)
15 Showing some spirit about article making a profit (4)
16 At a late hour hop about giving service (10)
19 Those travelling for pleasure may use this egress (10)
20 The monster! coming in to greet his victims! (4)
23 Finish an outstanding feature and win (6)
25 Taking action about excellent performance, being overwhelmed (8)
27 Putting the wind up men on the board? (8)
28 Previously carried around a couple of notes (6)
29 Member of the family presenting an account (8)
30 The good-looker said no change should be made (6)

DOWN

1 "Then the whining schoolboy, with his satchel, and ---- morning face." Shakespeare (As You Like It) (7)
2 The children turned to jump (9)
3 Drop it in a senseless way (6)
5 A game winger (4)
6 5 down will find a large number put inside break free (8)
7 Blunder in embracing affectionately (5)
8 Accountant learning about one source of energy (7)
11 An immigrant's badly-written letters (7)
14 An unqualified person won, it's discovered (7)
17 The retiring woman's mode of dress (9)
18 Honest but cunning backing is in view (8)
19 Bearing with the guy providing the money?—Fine! (7)
21 Not coming to any conclusion (7)
22 Looked at the man left in bed (6)
24 Persuade the Labour leader to speak slowly (5)
26 He gives nothing to a non-drinker—nothing (4)



FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

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FT UNIT TRUST INFORMATION SERVICE

Mercury Fund Managers Ltd (c)
33 King William St, EC4R 9AS 01-280 2060

American Growth	107.8	114.0	-0.3	0.70
(Accum Units)	113.0	119.5	-0.3	0.70
British Blue Chip Fund	51.8	54.8	+0.4	2.26
(Accum Units)	51.8	54.8	+0.4	2.26
American Sm Cos Fd	51.6	54.6	+0.1	0.45
(Accum Units)	51.6	54.6	+0.1	0.45
American Income	51.6	54.5	-0.1	3.65
(Accum Units)	56.2	59.4	-0.1	3.65
European Growth	142.2	150.6	-1.4	0.72
(Accum Units)	147.2	155.7	-1.4	0.72
European Income	78.7	83.2	-0.8	3.59
(Accum Units)	82.5	87.2	-1.0	3.59
General	372.9	394.5	+5.8	1.67
(Accum Units)	619.3	655.3	+4.7	1.67
Gilt	89.0	89.4	-0.5	7.32
(Accum Units)	106.0	106.5	-0.6	7.32
Global Fund	49.3	52.1	+0.2	0.70
(Accum Units)	49.3	52.1	+0.2	0.70
High Interest Fund	47.3	50.0xd	-0.2	8.91
(Accum Units)	47.7	50.4	-0.2	8.91
High Income Fund	51.0	54.0	+0.5	4.68
(Accum Units)	51.4	54.5	+0.5	4.68
Income	121.9	128.9	+0.7	3.54
(Accum Units)	139.6	147.7	+0.8	3.54
International	294.5	311.6	+0.8	1.18
(Accum Units)	368.5	389.9	+1.0	1.18
Japan	210.9	223.1	+2.4	0.81
(Accum Units)	216.5	229.0	+2.5	0.81
Pacific Fd	53.6	56.7	+0.9	0.10
(Accum Units)	53.6	56.7	+0.9	0.10
Recovery	310.4	328.4	+3.3	2.03
(Accum Units)	337.4	357.0	+3.5	2.03
UK Smaller Co's Fd	53.2	56.2	+0.5	1.87
(Accum Units)	53.2	56.2	+0.5	1.87
Exempt May 27	345.5	364.3	—	2.26
(Accum Units)	542.5	556.4	—	2.26

Metropolitan Unit Trust Mngrs Ltd
9 Darkes Lane, Potters Bar EN6 1AJ. 0707 45184

UK Income Fund	61.2	65.1	+0.6	4.61
Accum Units	61.2	65.1	+0.6	4.61
UK Growth Fund Acc	63.1	67.1	+0.7	1.49
Global Income Fund	49.5	52.6	+0.1	3.80
Accum Units	49.5	52.6	+0.1	3.80
Global Growth Fund	45.7	48.7	+0.5	0.52

Midland Bank Group UT Mngrs. Ltd

Prudential Unit Trust Mngrs Ltd (a) (b) (c)
51-59 Ilford Hill, Ilford, Essex IG1 2DL 01-478 3377
Holborn LinkLine 0800 010345

Holborn Comm Tst	79.1	83.7	+0.6	0.57
Holborn Equity Income	72.2	76.3	+0.2	3.37
Holborn Equity Tst	588.1	622.5	+5.7	2.27
Holborn European Tst	114.6	121.2	-0.6	0.66
Holborn Gilt Tst	214.0	223.1	-1.2	2.13
Holborn High Inc Tst	87.2	92.2	+0.3	4.68
Holborn Intl Grth Tst	117.1	121.9	+1.3	0.70
Holborn Japanese Tst	131.0	138.6	+2.2	0.04
Holborn N. Amer Tst	90.8	96.0	-0.1	0.5
Holborn Sm Cos Tst	77.9	82.4	+0.7	1.41
Holborn Spec Sits Tst	102.2	108.1	+1.6	1.35
Holborn UK Growth Tst	116.5	123.2	+1.6	1.52

Quilter Management Co Ltd
31-45 Gresham Street, London EC2 01-600 4177

Quadrant Gen. Fd	659.1	697.5	—	1.57
Quadrant Income	332.9	352.3	—	4.07
Quadrant Intl. Fund	449.0	475.2	—	1.05
Quadrant Spec. Sits	428.2	453.2	—	1.45

Reliance Unit Mgrs. Ltd
Reliance House, Tunbridge Wells, Kent 0892 510033

British Life	239.9	255.1	+1.3	2.25
Reliance Unit Tst (Inc)	166.3	176.9	+1.2	1.83
Reliance Ut Tst (Acc)	224.0	238.2	+1.7	1.83

Rensburg Fund Managers
Silkhouse Ct., Tithebarn St., Liverpool. 051-227 2030

Internat. Growth Trust	49.2	51.7	+0.1	1.5

N.M. Rothschild Fund Mgmt
St Swithin's Lane, London EC4 01-634 2981/4

NC America (Inc)	318.4	338.7	-0.6	0.81
NC America (Acc)	347.7	369.8	-0.7	0.81
NC Inc Fd	126.7	134.7	+0.9	2.79
NC Japan Fd	200.5	219.2	+9.7	—
NC Major UK Cos Fd	72.1	76.6	+0.7	1.54
NC Smllr Australasian	88.0	94.4	-0.1	0.48
NC Smllr Canadian Co Fd	48.6	51.7	+0.1	0.98
NC Smaller Cos	237.2	252.9	+3.7	0.91
NC Smaller European	192.0	209.1	-0.2	0.46
NC Prop.*	157.2	171.6	—	(z)

*Unauthorised Unit Trusts

FT UNIT TRUST INFORMATION SERVICE

Manufacturers Life Insurance Co (UK)
St George's Way, Stevenage 0438 356101

Managed	446.8	470.3	----	—
Property	280.1	294.8	----	—
Equity	556.5	585.8	----	—
Gilt Edged	367.2	386.5	----	—
Deposit	203.9	214.6	----	—
Investment	238.0	249.9	----	—
International	432.3	455.1	----	—

Pension Fund Prices

Managed Init.	326.1	----	—
Do. Accum.	398.3	----	—
Property Init.	242.9	----	—
Do. Accum.	296.5	----	—
Equity Init.	423.2	----	—
Do. Accum.	516.0	----	—
Gilt-Edged Init.	235.4	----	—
Do. Accum.	287.3	----	—
Guaranteed Init.	157.5	----	—
Do. Accum.	192.4	----	—
International Init.	517.8	----	—
Do. Accum.	631.8	----	—
Index Lk. Gilt Init.	137.3	----	—
Do. Accum.	167.6	----	—

Merchant Investors Assurance
Leon House, 233 High St, Croydon 01-686 9171

Property	300.2	+0.0	—
Property Pens.	396.8	+0.1	—
Equity	197.3	+0.2	—
Equity Pens.	903.4	+1.2	—
Money Market	310.7	-0.6	—
Money Mkt. Pens.	555.5	-1.1	—
Deposit	236.1	+0.0	—
Deposit Pens.	375.3	+0.1	—
Managed	291.2	+0.0	—
Managed Pens.	563.7	-0.3	—
Intl. Equity	339.8	-1.6	—
Do. Pens.	546.9	-3.9	—
Intl. Managed	313.3	-0.9	—
Do. Pens.	465.1	-2.1	—
North American	128.6	-0.5	—
Do. Pens.	147.4	-0.7	—
Far East	286.9	-0.3	—
Do. Pens.	415.9	-0.4	—
Intnl. Currency	174.6	+0.0	—

National Provident Inst.—Contd.

Far East Initial	480.5	506.1	+5.2	—
Far East	574.1	604.4	+6.2	—
Prop Initial	139.7	147.1	+0.3	—
Prop	166.9	175.7	+0.3	—
Fixed Int. Initial	189.1	199.1	-0.6	—
Fixed Int.	225.8	237.7	-0.8	—
Indexed Gilt Initial	103.0	108.5	-0.2	—
Indexed Gilt	121.7	128.2	-0.3	—
Deposit Initial	134.3	141.4	+0.1	—
Deposit	161.9	170.5	----	—

NPI Pensions Management Ltd

Managed Fund	952.7	969.7	----	—

Prices July 1. Next dealing August 3.

Norwich Union Asset Management Ltd
PO Box 124, Norwich NR1 1JS 0603 683906

NUAM Funds

Managed Fund	57.0	60.1	+0.2	—
Stock Market Mngt Fund	58.6	61.7	+0.4	—
Equity Fund	64.4	67.8	+0.5	—
International Fund	53.8	56.7	+0.3	—
European Fund	56.1	59.1	+0.4	—
North American Fund	49.9	52.6	----	—
Pacific Fund	64.1	67.5	+1.0	—
Property Fund	50.7	53.4	----	—
Fixed Interest Funds	50.1	52.8	-0.2	—
Index linked Sec Fund	45.6	48.1	----	—
Deposit Fund	50.7	53.4	----	—

NUAM Retirement Plans

Mixed Fund	60.7	63.9	-0.2	—
UK Ordinary Share	72.6	76.5	-0.1	—
International Fund	55.2	58.2	+0.2	—
Property Fund	51.6	54.5	+0.1	—
Fixed Interest Fund	52.0	54.8	-0.3	—
Index Linked Sec Fund	45.7	48.2	-0.2	—
Deposit Fund	52.5	55.3	----	—

NUAM (NF)

Managed Fund	780.7	821.8	+4.1	—
Equity Fund	1711.7	1801.8	+10.3	—
Property Fund	315.0	331.6	----	—
Fixed Interest Fund	368.9	388.4	-2.0	—
Deposit Fund	206.8	217.7	+0.1	—
International Fund	139.6	147.0	+0.6	—
Index Linked Sec Fund	45.7	48.2	----	—

OFFSHORE AND OVERSEAS

MANAGEMENT SERVICES

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

1987 High	1987 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
		"Shorts" (Lives up to Five Years)				
101⅞	100	Treas. 12pc 1987	100	–⅛	11.90	9.00
99¾	97	Treas 7¾pc 1985-88‡‡	99		7.77	8.31
102¼	99	Exch 10½pc '88	101	–⅛	10.39	9.15
101	98	Treas 9¾pc Cv '88	100½		9.71	9.18
96⅞	93	Transport 3pc '78-88	96		3.10	6.41
101⅝	98	Treas. 9½pc '88	100		9.48	9.29
105	101	Treas 11½pc 1989	103	–⅛	11.15	9.35
102	97	Treas 9½pc Cnv 1989	100	–⅛	9.47	9.24
94⅞	89¾	Treas 3pc 1989	93	–⅛	3.20	6.64
104⅞	99	Treas 10½pc 1989	102	–⅛	10.29	9.33
103	98½	Exch 10pc 1989	101	–⅛	9.87	9.31
105¼	100⅝	Exch 11pc 1989	103	–⅛	10.66	9.33
95	89	Treas. 5pc 1986-89	94¼	–⅛	5.31	7.77
108	100⅝	Exch 10¼pcCv '89	104	–⅛	9.89	8.49
111	105⅝	Treas 13pc 1990‡‡	108		12.02	9.27
106½	100	Exch 11pc 1990‡‡	103	+⅛	10.60	9.33
110	104	Exch. 12½pc 1990	107⅝		11.65	9.37
91	84½	Treas. 3pc 1990	90	–⅛	3.32	6.82
100	93	Treas 8¼pc 1987-90‡‡	98	–⅛	8.34	8.65
105	97½	Treas. 10pcCv 1990	101⅞	+⅛	9.82	9.33
89	81	Exch 2½pc 1990	87	–⅛	2.85	6.58
110½	103¼	Treas 11¾pc 1991	107	–⅛	10.96	9.28
95	87¼	Funding 5¾pc '87-91‡‡	92	–⅛	4.18	7.91
89	80¼	Treas. 3pc 1991	87	–⅛	3.44	6.82
110⅝	100	Treas 10pc Cv '91 ‡‡	104	–⅛	9.61	8.76
109⅞	101	Exch. 11pc 1991	105⅞	–⅛	10.39	9.30
116	108	Treas 12¾pc 1992‡‡	112	–⅛	11.34	9.32
106	97	Treas 10pc 1992	102⅝	–⅛	9.76	9.32
99⅞	95	Treas. 8pc 1992 ‡‡	95	–⅛	8.15	8.47
108	99	Treas 10½pc Cv 1992‡‡	104	–⅛	10.04	9.27

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

BRITISH FUNDS—Contd

Index-Linked

[illegible]

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, ie 8 months prior to issue. RPI for October 1986: 388.4 and for May 1987: 101.9 (rebased at 100 January 1987 conversion factor 3.945).

INT. BANK AND O'SEAS GOVT STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

1987 High	1987 Low	Stock	Price £	+ or –	Div % Gross	Red. Yield
53	42	Greek 7pc Ass	53		3.50	6.60
50	40	Do. 6pc 28 Stb Ass	50		3	6.00
47	45	Do 4pc Mixed Ass	47		2	4.25
65	58	Hung '24 Ass	63		2.75	4.37
146½	122⅞	Hydro Quebec 15pc 2011	139	–⅛	15.00	10.50
94	83	Iceland 6½pc '83-88	90		—	—
136¼	115½	Do. 14½pc Ln. 2016	128	+1⅛	14.50	11.13
103½	94	Ireland 9¾pc '91-96	100¼		9.75	9.70
98½	93	Japan 6% '83-88	94		—	—

AMERICANS

1987 High	1987 Low	Stock	Price £	+ or –	Div Gross	C'w	Y'ld Gr's
41	32	Abbott Laboratories	38½		$1.00	—	1.5
17	11	Ahmanson (H.F.)	13	–⅛	88c	—	4.2
33	24	Alcoa $1	33	+⅛	$1.20	—	2.2
19	15	Allegheny & W $0.01	17				
14	6	Amax $1	12		—	—	—
26¼	17¼	Amdahl 5c	21¼	+⅛	20c	—	0.6
33	25	Amer. Cyanamid $5	30	+⅛	$1.90	—	3.9
25	18	Amer. Express $0.60	21	+⅛	$1.44	—	4.1
12	10	Amer. Medical Int. $1	11			—	3.9
[illegible]							
46⅝	36	NYNEX $1	42	–⅛	$3.48	—	5.0
25	21¼	PHH	24½	–⅛	$1.04	—	2.6
25½	19	Pacificorp $3.25	22		$2.40	—	6.7
19	13	Pacific Telesis $0.10	16	–1¼	$1.64	—	6.0
22	17¼	Pall Corp. 25c	18		34c	—	1.1
56	45	Pennzoil 83c	46½	+⅛	$2.20	—	2.9
28	21	Pillsbury	26	–⅛	$1.00	—	2.3
36⅞	26	Quaker Oats $5	31	–⅛	80c	—	1.5
42	28	RJR Nabisco Inc	33	+⅛	$1.60	—	3.0
39	27¼	Rep NY Corpn $5	33	–⅛	$1.16	—	2.1
18	15	Rockwell Intl. $1	16	–⅛	$1.32	—	4.9

Continued on next page

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
ANZ Finance High Interest Cheque Acc Minerva Hse, Montague Cl, London, SE1 01-378 2576				
£250-£2,500	7.00	5.27	7.36	Qtr
£2,500+	9.00	6.77	9.52	Qtr
Adam & Co. plc 22 Charlotte Sq, Edinburgh EH2 4DF 031-225 8484				
Full Service Cur Acc	8.20	6.00	8.64	Qtr
Aitken Hume 30 City Road, EC1Y 2AY. 01-638 6070				
Treasury Acc	8.25	6.21	8.71	Qtr
MoneyChq £1000-£5000	8.00	6.02	8.48	Mth
Mth. Int. Chq. £5,000+	8.25	6.21	8.75	Mth
AAB—Allied Arab Bank Ltd 97-101 Cannon St, London, EC4N 5AD 01-626 2046.				
HICA, HICMA	8.75	6.58	9.30	Mth
Bank of Scotland 38 Threadneedle St, EC2P 2EH. 01-628 8060				
Money Mkt Cheque Acc	8.10	6.09	8.59	Mth
Barclays Prime Account PO Box 125, Northampton 0604 252891				
High Int. Cheque	8.00	6.00	8.40	Qtr
Benchmark Trust Ltd Premier Account 9 Henrietta Place, W1M 9AG. 01-631 3313				
£5,000-£10,000	9.00	6.77	9.43	6-mth
£10,001-£20,000	9.25	6.96	9.70	6-mth
£20,000+	9.50	7.15	9.97	6-mth
Brown Shipley & Co Ltd Founders Court, Lothbury, London EC2R 7HE 01-606 9833				
Demand Acc	8.25	6.21	8.95	Qtr.
Charterhouse Bank Limited 1 Paternoster Row, EC4M 7DH. 01-248 4000				
SterDep	8.25	6.21	8.75	Mth
U.S. Dollar	6.25	4.70	6.58	Mth
German Marks	3.00	2.26	3.13	Mth
Swiss Francs	2.50	1.88	2.60	Mth
[illegible]				

Money Market Trust Funds

[illegible]

UNIT TRUST NOTES

[illegible]

LONDON SHARE SERVICE

AMERICANS—Continued

1987 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
30 1/4	22 7/8	Sara Lee $1	27 3/8 xd	–1/2	$1.00	—	2.2
11 1/4	8 7/8	Saul (B. F.) $1	10 1/16 xd	+1/16	20c	—	1.2
26 1/4	19 3/4	Southwestern Bell $1	24	.....	h$2.32	—	5.9
18 3/8	14 1/4	Staley Continental	17 7/8	–1/4	80c	—	2.8
44 1/4	36 3/4	Sun Co. Inc. $1	40 1/2 xd	.....	$3.00	—	4.5
37	28 1/2	TRW Inc. $1 1/4	31 3/4	–1/2	h$1.60	—	3.1
32	25 7/8	Tenneco $5	30 3/4	+1/4	$3.04	—	6.1
187 1/2	149 1/2	Do. 10pc Ln.Stk. 91-5	187 1/2 xd	.....	10%	—	f5.5
26 1/4	17 3/4	Texaco $6.25	24 7/8 xd	–1/4	$3.00	—	7.4
61 7/8	47 1/4	Time Inc. $1	59 1/16	–1/2	$1.00	—	1.0
14 1/2	11	Tracor $0.33	12 7/8	.....	40c	—	1.9
26 7/8	18 7/8	Transamerica $1	25 xd	.....	$1.76	—	4.3
12 1/8	922p	Transworld Corp $5	11 3/4	.....	20c	—	1.1
46	29 3/4	TRINOVA Corp.	42	–1	h$1.00	—	1.5
20	15 1/4	USX $1	19 5/8	+1/4	$1.20	—	3.7
19 1/8	15 1/4	Union Carbide $1	17 5/8	–1/2	$1.50	—	5.2
35 1/4	26 7/8	Utd. Technologies	32 1/2	+1/2	$1.40	—	2.6
38 3/4	27	US West	32 7/8	+1/4	$3.28	—	6.1
25	17 1/8	Waste Management $1	24 3/8	+1/4	—	—	—
£22 3/4	£20 1/2	Whirlpool $1.D	£21 7/8	–1/8	—	—	—
35 3/8	26	Woolworth $3 1/2	32 1/2	–1/16	$1.32	—	2.5

CANADIANS

1987 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
21p	10p	Abbot Energy Corp.	21p	.....	—	—	—
12 5/8	50 6p	Amer. Barrick Res.	968p	.....	—	—	—
122p	52p	Armeno	72p	.....	—	—	—
19 3/8	14 5/8	Bk. Montreal	15 5/8	+1/8	$2.00	—	5.9
10 1/2	745p	Bk Nova Scot.	830p xd	+10	72c	—	4.0
20 5/8	18	BCE	19 1/2	–1/8	$2.40	—	5.7
960p	712p	Bow Valley	917p	–21	40c	—	2.0
19 1/4	12 5/8	Brascan	16 3/4	+1/4	88c	—	2.5
609p	277p	Breakwater Res.	366p	.....	—	—	—
11 3/8	894p	Can. Imp. Bk. $2	10 xd	+1/4	$1.08	—	5.0
12	865p	Can. Pacific	11 5/8 xd	+1/8	48c	—	1.9
42 1/2	37 1/2	Do. 4pc Deb £100	41 1/2	.....	4%	—	9.6
27 1/2	15 1/4	Echo Bay Mines	[illegible]	[illegible]	20c	—	0.4

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Cont

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

INDUSTRIALS—Continued

INSURANCES

LONDON SHARE SERVICE

INSURANCES—Continued

[illegible]

LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING—Continued

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES—Cont.

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

FINANCE, LAND—Cont.

[illegible]

Finance, Land, etc

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Continued

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES—Continued

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 27 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ϕ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ✣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 535(3).
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ǁ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ¢¢ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	86	......	Fin. 13% 97/02	£110¾	......
Craig & Rose £1	£18¼xd	......	Arnotts	340	......
Finlay Pkg. 5p	122	+1	CPI Hldgs	57	......
Holt (Jos) 25p	975	......	Carroll Inds.	148xd	+2
IoM Stm. £1	121	......	Dublin Gas	18	......
			Hall (R. & H.)	105	+5
IRISH			Heiton Hldgs.	42	+1
Fund 13¼% 1988	£100½	......	Irish Ropes	170	......
Nat. 9¾% 84/89	£98½	......	Unidare	375	......

TRADITIONAL OPTIONS

3-month call rates

Industrials	p		
Allied-Lyons	40	NEI	12
Amstrad	20	Nat West Bk	65
BAT	55	P & O Dfd	65
BOC Grp	45	Plessey	22
BSR	17	Polly Peck	28
BTR	30	Racal Elect	24
Babcock	19	RHM	30
Barclays	52	Rank Org Ord	70
Beecham	50	Reed Intnl	45
Blue Circle	50	STC	30
Boots	25	Sears	15
Bowaters	60	TI	34
Brit Aerospace	55	TSB	10
Brit. Telecom	32	Tesco	55
Burton Ord	35	Thorn EMI	70
Cadburys	22	Trust Houses	24
Charter Cons.	40	Turner Newall	28
Comm Union	30	Unilever	300
Courtaulds	45	Vickers	20
FNFC	30	Wellcome	42
Gen Accident	95	**Property**	
GEC	24	Brit Land	25
Glaxo	200	Land Securities	45
Grand Met	55	MEPC	42
GUS 'A'	175	Peachey	45
Guardian	90	**Oils**	
GKN	30	Brit Petroleum	32
Hanson Tst	15	Britoil	32
Hawker Sidd	50	Burmah Oil	45
ICI	125	Charterhall	6
Jaguar	52	Premier	11
Ladbroke	40	Shell	110
Legal & Gen	32	Tricentrol	11
Lex Service	45	Ultramar	24
Lloyds Bank	50	**Mines**	
Lucas Inds	62	Cons Gold	95
Marks & Spencer	22	Lonrho	26
Midland Bk	55	Rio T Zinc	90
Morgan Grenfell	35		

A selection of Options traded is given on the London Stock Exchange Report Page.

LONDON STOCK EXCHANGE

Account Dealing Dates

*First Dealings	Option Declarations	Last Dealings	Account Day
Jun 15	Jun 25	Jun 26	July 6
Jun 29	July 9	July 10	July 20
July 13	July 23	July 24	Aug 3

* New time dealings may take place from 9.00 am two business days earlier.

Far Eastern buying leads strong gains in equities but Gilt-edged weaken again

The UK stock market rebounded vigorously yesterday from its recent sluggishness, as selective buying from Japanese funds brought an almost audible sigh of relief from the marketmakers and UK investors—as well as a rush to follow them. There was increased turnover in many of the internationally-favoured stocks although many second line issues remained on the sidelines. The upturn in equities ran counter to an easier trend in Government bonds, where higher money market rates, and disappointing UK currency reserve totals for June, dispelled lingering hopes for a cut in UK bank base rates.

The FT-SE 100 index jumped 30 points at its best, briefly pushing through the 2,300 mark as Wall Street opened higher. The index closed off the top, with a net gain of 27.6 at 2,297.4. At 1,794.6, the FT Ordinary index gained 22.5.

Some traders were caught unawares when the market opened higher, but at least one major London house was an early buyer. The significant upswing came at mid-morning when increased turnover, and price gains, in the pharmaceuticals and privatisation issues signalled the presence of the Japanese cohorts. Although foreign buying remained highly selective, it was enough to bring UK buyers into both the equity and futures market.

Helping the market was a £535m bid from **Reed International** for **Octopus Publishing**. This was a welcome substitute for the rumours that more rights issues were in the offing.

Oil shares gave the market a good lead throughout as crude prices moved above £19 a barrel in the wake of the OPEC meeting.

The privatisation stocks, known to be favoured by Japanese funds, were featured by sharp rise for **British Telecom** (on turnover of 20m shares), **British Airways** (19m), and **British Gas** (8m). Also well-placed in the active list was **Marks and Spencer** with 12m shares traded.

US buyers, moving ahead of today's closure in US markets, bought **RTZ** strongly, on its copper interests. **Lonrho**, which has put cash into its balance sheet by the sale of **Today**, the UK newspaper, and **London International Group**.

This enthusiasm strongly contrasted with a poor performance from Gilts, which brushed off the firmness in the pound. Foreign buyers were absent, and domestic investors were held off Gilts by technical factors.

Monday brings a call of about £637m on the market—in the second payment on the Treasury 8 per cent 2002-06 stock—on top of the £450m or so taken out by taplet sales on Wednesday. A significant fall in the UK June reserves, against market forecasts of a rise, brought out sellers and long-dated gilts ended ⅜ lower.

Chase Securities, marketmaker in UK gilts and equities, confirmed two significant extensions of its London trading presence. It has taken aboard the property analysts and salesman formerly with Shearson Lehman Bros. Messel division—but not the marketmakers—and will start making markets in 20-30 property stocks in the autumn.

Chase has also taken on the retailing sector analysts and salesman from the former Capel-Cure Myers unit of Grindlays ANZ. Chase will be making markets in around 380 UK equities by the year-end.

Reed International shares tumbled 17 to 546p after it turned the tables on recent bid speculators by entering the takeover stakes itself with a share exchange offer for **Octopus Publishing**. Shares in Octopus jumped 57 to 487p, against Reed's cash alternative of 475p. **BTR**, which has pledged its 35 per cent holding in Octopus to Reed, rose 8 to 323p.

The bid, following hard on the heels of the auction for Associated Book Publishing set the sector alight, taking **William Collins** up by 58 to 973p and **A and C Black** by 40 to 560p.

Wellcome shares gained 14 to 466p on brisk demand from across the investment range. UK buyers continued to respond to last week's presentation to City analysts, but th disclosure that the group has applied for a US patent covering DDC, the rival AIDS treatment being developed by Hoffman-La-Roche bought buyers from across the Atlantic.

Barclays Bank were a firm market and moved up 5 to 578p ahead of the interim results due at the end of the month; chartist Richard Lake of broker Savory Mill rates the shares a strong buy at the current level.

Merchant banks included a handful of firm performers. **Mercury International** followed Wednesday's 20 leap with a further 4 gain to 470p with the shares still sustained by the better than expected preliminar figures and favourable comment on the rights issue. **J. Rothschild Holdings**, on the other hand, slipped 4½ to 196p in the wake of cautious comment on the results.

Insurance shares gained ground across a broad front. Life issues were highlighted by **Britannic** which surged ½ to £11⅞ amid rumours of an imminent "buy" circular from one of the leading securities houses. **Legal and General** were well to the fore and rose 9 to 358p; traders said the shares had been left behind in the recent run up in insurance shares. Brokers provided an outstanding feature in sector leader **Sedgwick** which raced up 10 to 312p amid rumours of a stake building operation in process; Sedgwick announced yesterday a link up with Merck Finck to develop insurance brokerage operations in West Germany.

The day's two newcomers made contrasting debuts. **Glamar Group**, placed at 178p, opened t 223p and touched 236p befre closing at 233p. **Far Eastern Resources**, however, closed at 103p on the Third Market compared with a placing price of 106p.

Leading Breweries made limited progress in narrow trading. **Scottish and Newcastle**, a nervous market of late—Chase Manhattan Securities recently advised clients to switch holdings to Allied-Lyons—rallied 4 to 261p. The annual results are expected next Monday with analysts' forecasts ranging up to £89m pre-tax; revived rumours were also doing the rounds that Scottish is set to launch another bid for **Matthew Brown**, 8 dearer at 662p. **Buckleys**, the Llanel-based concern, was another to benefit from speculative activity; up to 187p by midday in an increasingly narrow market, the shares subsequently encountered profit-taking and reacted to 172p before settling at 176p—a net gain of 6 on the day.

Cement manufacturers made good progress following the 2 per cent price increase as from August 1 introduced by market leader Blue Circle Industries. **Blue Circle** shares raced up 14 to 513p on the news while **Rugby Portland** added 6 to 268p.

Stores participating in the general upturn with double figure gains established by **Marks and Spencer**, 254½, and **W. H. Smith A**, 376p. Buyers also came in for Underwoods, he retail chemist chan whch advanced 20 to 201p. **Amber Day** advanced 20 to 90p, as the company revealed that discussions were in progress which may lead to an injection of funds, but the absence of bid news left **Ernest Jones**, the jewellery retailer, 10 cheaper at 221p. Recent speculative demand in the sector widened to encompass **S. Casket**, 8 up at 178p, and **Belton Textile**, 16 dearer at 90p. **Lanca**, the market's favourite prospective "shell" at present, rose another 13 to 138p.

Wordplex jumped 18 to 157p as Norsk Data made a counter-offer for the company. Original bidders **Apricot** eased 8 to 107p. The announcement of interim results together with proposals for the acquisition of American Technologies for some £23.1m and rights issue to raise £4.6m net left **Domino Printing Sciences** 38 higher at 526p.

Porter Chadburn jumped 128 to 445p in the wake of news that **GM Firth** has sold a 25 per cent stake in the comany to a consortium including R. Dinkin, D. Cassidy and Charterhouse Bank. Mr Dinkin and Mr Cassidy have been appointed to the board of Porter Chadburn. **GM Firth** rose 6 to 119p. Elsewhere in the Engineering sector, **F. H. Lloyd** reacted 13 to 103p on the recommended share exchange offer from Triplex. The preliminary results from **Davy Corporation** were well received in the market and the shares advanced to close 20½ higher at 203p. **Manganese Bronze**, reflecting news that CH Industrials had increased its stake to 6.22 per cent, imroved 10 to 222p. **Vickers** were noteworthy in the leaders for a rise of 14 at 219p.

Firm from the outset, Food Retailers improved throughout and often finished with double-figure gains. Mr Jimmy Gulliver's **Argyll Group** again led the way, rising another 10 to 469p as securities house BZW issued a recommendation stating that Argyll is "the outstanding buy in the sector." **Dee Corporation**, also unsettled of late following Argyll's well-publicised accounting move, rallied 8 more to 234p.

Manufacturers trended higher. **Fitch Lovell** spurted 10 to 345; the group is scheduled to reveal preliminary results next Thursday with Greenwell Montagu anticipating pre-tax profits of £22.8m. Yield consideration left **United Biscuits** 7 better at 35, while **Barker and Dobson** put on 8 to 252p following the Chix acquisition.

Hotels enjoyed a buoyant session, although actual trading was described as "extremely thin."

Persistent hopes of an eventual offer from Scottish and Newcastle lifted **Norfolk Capital** 5 for a two-day advance of 8 at 48¼, while consideration of the appointment of John Bosman and Peter Marsh to the board stimuluated interest in **Aberdeen Steak Houses**, finally 10 up at 78p.

Buying revived in the miscellaneous industrials, but some of the gains took place in a relative low turnover. **Beecham** were one of the most active stocks (4.7m) and closed 19 to the good at 558p. **Glaxo** edged up ¼ to £16¹¹⁄₃₂. Outside of the pharmaceuticals, **BOC** firmed 15 to 513p in a volume of only 1.2m shares. **Pilkington**, 989p, and **Trafalgar House**, 399, rose 19 and 18 respectively.

Elsewhere, **London International** featured a rise of 41 at 362p following comment on prospects for the Boots-Celltech fertility test in which the former is involved. **Boots** improved 5 to 294p. **Reed Executive** jumped ⅝ further to £10⅛ in response to the bumper preliminary figures, while **Hestair** were good again at 334p, up 12. US favourite **Reuters** rallied 9 to 848p, while renewed speculative demand left **Silentnight** up 13 more at 150p. **Associated British Ports**, overlooked in the recent advance in property shares, moved up 16 to 617p. **CCA Galleries**, up 59 more at 212p, continued to reflect the sale of Christie's International's 34.9 per cent stake. **Cookson**, reflecting a broker's circular, advanced 36 to 750p. Dealings were suspended in **Oakwood** at 205p, up 20, pending the conclusion of discussions which may lead to an offer for the company. **Plastic Constructions**, also reflecting a bid approach, jumped 26 to 125p.

Really Useful Group advanced 19 to 542p in sympathetic response to news that the Broadway production of Phantom of the Opera is to go ahead following American Equity's decision to allow Sarah Brightman to take the starring role. Property development prospects gave another boost to **Tottenham Hotspur**, 10 up for a two-day gain of 35 at 189p.

Motor Distributors again highlighted Sunderland-based **T. Cowie** which improved another 50 to 760p amid strong rumours that the shares were being primed for an imminent acquisition. Not surprisingly, old take-over favourite **Lookers**, finally 15 dearer at 445p were seen as the likely target, but **Trimoco**, where Cowie recently lifted its stake to just under 10 per cent, were also wanted and closed 3 up at 54½p. Components featured **Dowty** which rose 6 to 294p; Morgan Grenfell rate the shares as a buy and forecast pre-tax profits of £67m for the year to end-March 1988.

Charles Barker rose 11 to 206p in the wake of the announcement of the acquisition of Traverse-Healy and Register, a public relations company for a consideration of £1.3m.

Oil shares rallied after losing ground for the previous two sessions as crude oil prices moved up strongly following a report that Opec may consider raising the benchmark crude price of $18 a barrel in the light of the performance of the dollar. The sector was led higher by **BP** which jumped 12 to 398p on a turnover of more than 11m shares

The strong demand for BP underlying stock also stimulated sizeable hedging in the group's traded options; in a lively and evenly-balanced business BP attracted 3,113 calls and 3,357 puts. Total contracts struck amounted to 44,106.

Traditional Options

- First dealings June 22
- Last dealings July 3
- Last declaration Sept 24
- For Settlement Oct 5

For rate indications see end of Unit Trust Service

Stocks dealt in for the call included Neepsend, Widney, Howard Shuttering, Pentland Industries, Dowding and Mills, Platignum, Lonrho, Astra Industrial, Blacks Leisure, Norfolk Capital, Bejam, Bula Resources, Stormguard, Arlen, Betec, Ferranti, Raine Industries, Abaco, Raglan, Wheway, Fobel, JL Israel, Senior Engineering, Control Securities, Central and Sheerwood, Five Oaks, Mercantile House, Rotork, Dares Estates and St Modwen. Puts were arranged in Clayform and Blacks Leisure, but no double options were reported.

FINANCIAL TIMES STOCK INDICES

	July 2	July 1	June 30	June 29	June 26	Year ago	1987 High	1987 Low	Since Compilation High	Since Compilation Low
Government Secs	90.10	90.26	90.49	90.41	90.91	91.24	93.32 (8/5)	84.49 (6/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	97.13	97.36	97.22	97.04	97.36	97.00	99.12 (15/6)	90.23 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1794.6	1772.1	1782.6	1784.6	1790.7	1365.7	1,801.7 (17/6)	1,320.2 (2/1)	1,801.7 (17/6/87)	49.4 (26/6/40)
Gold Mines	385.7	384.6	378.9	380.7	376.2	199.4	485.0 (14/4)	288.2 (19/2)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	3.20	3.24	3.21	3.21	3.19	4.04				
Earnings Yld.%(full)	7.70	7.80	7.76	7.74	7.70	9.67				
P/E Ratio (net) (*)	16.01	15.77	15.87	15.90	15.98	12.59				
SEAQ Bargains (5 pm)	44,325	42,099	43,542	47,585	55,708	—				
Equity Turnover (£m)	—	1,172.34	1513.55	4199.79	1701.88	658.53				
Equity Bargains	—	48,130	53,200	62,461	55,224	28,411				
Shares Traded (ml)	—	643.6	534.5	820.2	842.2	301.4				

S.E. ACTIVITY

Indices	July 1	June 30
Gilt Edged Bargains	105.7	123.7
Equity Bargains	311.9	344.7
Equity Value	2369.6	3059.3
5-Day Average		
Gilt Edged Bargains	113.4	119.3
Equity Bargains	348.4	344.9
Equity Value	4109.6	4300.4

♥ Opening 1778.2 | 10 a.m. 1778.5 | 11 a.m. 1781.6 | Noon 1786.5 | 1 p.m. 1788.9 | 2 p.m. 1790.7 | 3 p.m. 1796.1 | 4 p.m. 1795.5

Day's High 1796.3 Day's Low 1775.5. Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974, *Nil=15.69.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

NEW HIGHS AND LOWS FOR 1987

NEW HIGHS (365)

BANKS (11), BREWERS (1), BUILDINGS (18), CHEMICALS (7), STORES (24), ELECTRICALS (27), ENGINEERING (23), FOODS (10), HOTELS (6), INDUSTRIALS (65), INSURANCE (8), LEISURE (10), MOTORS (8), NEWSPAPERS (12), PAPER (11), PROPERTY (20), SHIPPING (2), SHOES (1), TEXTILES (9), TOBACCOS (1), TRUSTS (75), OILS (10), OVERSEAS TRADERS (3), PLANTATIONS (1), MINES (2).

NEW LOWS (2)

INDUSTRIALS (1) Fertil-A-Chron. OILS (1) Petranol.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing price	Day's change	Stock	Volume 000's	Closing price	Day's change
ASDA-MFI	2,100	190	+1	Ladbroke	1,400	429	+6
Allied Lyons	1,200	428	+2	Land Securities	735	555	−12
Amstrad	3,000	174	+1	Legal & Gen.	1,000	358	+9
Argyll Group	2,400	469	+10	Lloyds Bank	598	363	—
Assc. Brit. Foods	758	407	+7	MEPC	1,800	549	−10
BAT	1,600	615	+7	Marks & Spncr	12,000	254½	+14½
BET	605	289	+5	Midland Bank	730	637	−3
BOC	1,200	513	+15	NatWest Bank	500	721	−3
BPB Inds	690	790	+9	Next	3,200	333	+5
BPCC	514	330	+3	Pearson	1,100	739	+13
BTR	3,900	323	+8	P & O	741	741	+1
Barclays	1,300	578	+5	Pilkington Bros	1,600	989	+19
Bass	434	986	+4	Plessey	1,700	228½	+2
Beecham	4,700	558	+19	Prudential	242	£10¼	−⅛
Blue Circle	1,400	513	+14	Racal	2,300	269	+2
Boots	7,200	294	+5	Rank Org	279	785	+15
Brit. Airways	17,900	155	+9½	RHM	698	337	+2
Brit. Aero	944	529	+3	Reckitt & Col	1,100	£11½	+¼
Brit. & Comm.	454	502	—	Redland	982	525	+4
British Gas	7,100	179	+5	Reed Intl.	4,550	546	−17
Britoil	3,400	315½	+11	Reuters	414	848	+9
BP	10,000	398	+12	RMC	52	486	—
Brit. Telecom	19,000	279½	+½	RTZ	1,900	£10⅝	+¼
Bunzl	841	265	+3	Rolls-Royce	5,300	117	−1
Burton	1,600	328	+8	Rowntree Mac	289	551	+11
Cable & Wire	3,500	384	−1	Ryl Bank Scotland	32	368	+1
Cadbury Schwps	912	275	+1	Royal Insurance	1,100	507	+4
Coats Viyella	390	346	+1	STC	1,800	312	+8
Comm. Union	3,100	368	+3	Saatchi & Saatchi	338	675	−2
Cons. Gold	631	£10¾	—	Sainsbury	940	580	+4½
Cookson	2,700	750	+36	Scott & Newcastle	2,500	261	+4
Courtaulds	1,200	494	+2	Sears	2,500	160	+1½
Dee Corpn	1,500	234	+8	Sedgwick	3,800	312	+10
Dixons Grp	1,600	372½	+7½	Shell Trans	2,700	£14⅞	+⅛
English China Clays	258	470	+3	Smith & Nephew	2,900	186½	+6½
Fisons	708	369	+9	Standard Chart	213	774	+1
Gen. Accident	139	£10⅞	—	Storehouse	1,500	288	+4
Gen. Elect	4,500	236	−1	Sun Alliance	8	£10¼	+¼
Glaxo	1,100	£16¹¹⁄₃₂	+¼	TSB	1,700	89½	−½
Globe Investment	96	180½	+1	Tarmac	861	293	−2
Granada	332	363	−1	Tesco	970	585	−15
Grand Met	1,900	546	+12	Thorn EMI	117	758	−1
Gus "A"	117	£13¾	+⅛	Trafalgar House	3,000	399	+8
Guardian R.E.	532	£10¾	+¼	T'house Forte	431	250	+1
Guinness	1,700	364	+5	Unigate	77	418	−1
Hammerson	354	650	−28	Unilever	921	664	+1
Hanson Trust	4,300	175½	−1	United Biscuits	1,400	335	+7
Hawker Sidd	426	541	—	Wellcome	3,250	466	+14
Hillsdown Hldgs	1,000	305	+3	Whitbread "A"	165	361	—
ICI	1,100	£14¾	+⅛	Woolworth	1,100	426	+7
Jaguar	1,000	533	+8				

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	11	84	17
Corporations, Dominion and Foreign Bonds	12	13	34
Industrials	700	282	575
Financial and Properties	250	86	262
Oils	55	20	39
Plantations	3	1	10
Mines	71	18	100
Others	60	73	131
Totals	1,162	577	1,168

FT-ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Thursday July 2 1987 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (ACT at 27%)	Est. P/E Ratio (Net)	xd adj. 1987 to date	Wed July 1 Index No.	Tues June 30 Index No.	Mon June 29 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (213)	964.14	+1.0	7.05	2.82	17.77	10.75	954.60	958.09	955.31	746.21
2	Building Materials (29)	1245.19	+0.8	6.84	2.75	18.27	13.90	1235.24	1242.35	1241.07	828.86
3	Contracting, Construction (33)	1755.40	+0.8	6.83	2.73	19.65	19.38	1742.17	1747.52	1728.48	1278.13
4	Electricals (13)	2487.89	+2.4	5.40	3.20	24.78	36.50	2430.49	2430.43	2411.02	1918.38
5	Electronics (35)	2123.64	+0.5	7.12	2.31	17.99	15.24	2113.88	2147.37	2129.66	1679.59
6	Mechanical Engineering (61)	513.48	+1.0	7.84	3.27	15.99	7.68	508.60	506.67	506.41	420.84
8	Metals and Metal Forming (7)	551.21	+1.9	6.74	2.86	17.88	6.80	541.16	530.79	530.76	377.94
9	Motors (14)	370.62	+0.9	8.24	2.87	14.10	3.42	367.49	368.66	370.15	322.48
10	Other Industrial Materials (21)	1571.85	+1.9	6.32	3.09	19.07	20.86	1543.11	1539.46	1543.29	1329.88
21	CONSUMER GROUP (185)	1332.74	+1.6	5.94	2.51	21.56	13.72	1312.36	1317.78	1314.77	947.42
22	Brewers and Distillers (22)	1197.03	+1.1	7.83	2.95	16.06	11.67	1183.89	1194.53	1194.09	951.62
25	Food Manufacturing (24)	1041.16	+0.8	6.72	2.93	19.34	14.27	1033.33	1037.59	1035.64	7005.70
26	Food Retailing (16)	2538.44	+1.7	5.04	2.26	27.13	21.12	2495.09	2477.75	2489.14	1846.89
27	Health and Household Goods (10)	2518.99	+2.4	4.01	1.59	29.21	14.67	2459.10	2476.14	2481.90	1621.79
29	Leisure (31)	1391.68	+0.5	5.68	3.08	23.16	16.21	1385.02	1382.37	1378.32	911.77
31	Packaging & Paper (15)	709.42	+0.9	5.89	2.43	21.44	7.88	703.39	703.71	705.69	491.01
32	Publishing & Printing (15)	4454.86	+0.2	5.08	2.74	25.35	58.32	4447.64	4395.74	4382.42	2639.59
34	Stores (36)	1097.07	+2.6	6.57	2.61	20.57	12.81	1069.67	1084.28	1071.37	906.81
35	Textiles (16)	818.61	+0.9	7.50	2.74	15.43	10.67	810.97	809.31	804.90	571.82
40	OTHER GROUPS (85)	1111.60	+0.7	7.71	3.14	16.16	10.43	1103.55	1109.24	1111.88	808.43
41	Agencies (16)	1671.03	+0.6	4.09	1.45	32.26	9.50	1661.00	1675.68	1662.94	0.0
42	Chemicals (21)	1398.81	+1.1	7.01	3.15	17.50	19.49	1383.32	1397.12	1400.45	929.26
43	Conglomerates (12)	1436.20	+0.7	7.16	3.18	16.01	18.93	1426.13	1416.29	1426.25	0.0
45	Shipping and Transport (11)	2334.37	+1.6	6.68	3.44	18.83	37.76	2298.33	2297.35	2266.27	1520.94
47	Telephone Networks (2)	1082.72	+0.1	9.29	3.73	14.36	1.09	1081.68	1107.89	1121.52	873.49
48	Miscellaneous (23)	1566.16	+0.9	8.79	2.85	13.63	18.29	1551.52	1525.37	1515.62	1108.24
49	INDUSTRIAL GROUP (483)	1191.05	+1.2	6.70	2.76	18.86	12.22	1177.04	1182.08	1180.65	870.66
51	Oil & Gas (17)	2337.31	+2.1	4.68	3.95	27.66	37.29	2290.27	2296.13	2323.26	1203.68
59	500 SHARE INDEX (500)	1288.39	+1.3	6.38	2.94	19.84	14.41	1271.56	1276.67	1277.69	900.83
61	FINANCIAL GROUP (118)	820.58	—	—	3.59	—	12.88	820.84	824.49	822.47	621.98
62	Banks (8)	820.33	−0.3	16.89	4.57	7.83	15.49	822.54	822.64	834.20	663.19
65	Insurance (Life) (9)	1154.98	+0.4	—	3.65	—	20.71	1150.63	1157.78	1151.81	898.53
66	Insurance (Composite) (7)	617.50	+0.6	—	3.96	—	11.76	614.07	617.31	610.66	495.89
67	Insurance (Brokers) (9)	1281.75	+1.9	8.39	4.22	15.35	26.32	1257.73	1265.82	1267.61	1177.82
68	Merchant Banks (11)	415.04	−0.1	—	3.25	—	5.53	415.41	412.02	409.83	372.15
69	Property (46)	1305.49	−1.0	3.61	2.25	35.92	11.75	1318.90	1339.94	1320.08	804.50
70	Other Financial (28)	543.63	+0.6	6.12	2.97	20.55	5.89	540.40	536.92	533.48	353.62
71	Investment Trusts (92)	1094.46	+0.5	—	2.19	—	10.97	1088.74	1088.98	1088.57	767.27
81	Mining Finance (2)	521.23	+1.1	6.50	3.19	17.68	6.79	515.71	500.31	503.41	274.02
91	Overseas Traders (11)	1118.97	+1.6	8.12	4.15	14.61	23.27	1101.06	1098.18	1091.35	699.87
99	ALL-SHARE INDEX (723)	1161.60	+1.1	—	3.03	—	13.85	1149.15	1153.12	1153.43	818.87

	Index No.	Day's Change	Day's High	Day's Low	July 1	June 30	June 29	June 26	June 25	Year ago
FT-SE 100 SHARE INDEX ‡	2297.4	+27.6	2300.3	2276.0	2269.8	2284.1	2289.3	2291.3	2277.2	1656.2

FIXED INTEREST

	PRICE INDICES	Thurs July 2	Day's change %	Wed July 1	xd adj. today	xd adj. 1987 to date
	British Government					
1	5 years	122.95	−0.06	123.02	—	5.94
2	5-15 years	141.45	−0.22	141.76	—	7.22
3	Over 15 years	150.99	−0.35	151.51	—	6.85
4	Irredeemables	165.37	−0.12	165.56	—	7.27
5	All stocks	137.99	−0.19	138.26	—	6.78
	Index-Linked					
6	5 years	121.43	−0.05	121.49	—	1.57
7	Over 5 years	114.59	−0.26	114.89	—	1.71
8	All stocks	114.98	−0.24	115.26	—	1.69
9	Debentures & Loans	122.47	−0.52	123.11	—	6.13
10	Preference	88.49	+0.14	88.37	—	3.27

	AVERAGE GROSS REDEMPTION YIELDS		Thurs July 2	Wed July 1	Year ago (approx.)
	British Government				
1	Low	5 years	8.36	8.29	7.79
2	Coupons	15 years	9.09	9.05	8.82
3		25 years	9.09	9.06	8.97
4	Medium	5 years	9.26	9.22	9.10
5	Coupons	15 years	9.33	9.28	9.22
6		25 years	9.33	9.29	9.22
7	High	5 years	9.40	9.36	9.28
8	Coupons	15 years	9.47	9.43	9.38
9		25 years	9.23	9.21	9.27
10	Irredeemables †		8.99	8.96	8.84
	Index-Linked				
11	Inflat'n rate 5%	5 yrs	2.66	2.63	3.93
12	Inflat'n rate 5%	Over 5 yrs	3.84	3.83	3.48
13	Inflat'n rate 10%	5 yrs	2.34	2.31	2.73
14	Inflat'n rate 10%	Over 5 yrs	3.78	3.76	3.32
15	Debs &	5 years	10.19	10.12	10.02
16	Loans	15 years	10.19	10.12	10.29
17		25 years	10.19	10.12	10.35
18	Preference †		10.26	10.27	10.57

‡ Opening index 2279.2; 10 am 2279.6; 11 am 2286.6; Noon 2291.5; 1 pm 2294.8; 2 pm 2295.7; 3 pm 2300.1; 3.30 pm 2299.4; 4 pm 2298.8

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 32p.

LONDON TRADED OPTIONS

Option		Calls July	Calls Oct.	Calls Jan.	Puts July	Puts Oct.	Puts Jan.
Allied Lyons (*428)	390	42	60	72	2	8	14
	420	18	39	55	7	20	25
	460	5	20	35	35	41	45
Brit. Airways (*156)	130	27	33	—	2	5	—
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
British Gas (*179)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B.P. (*398)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Britoil (*316)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Cons. Gold	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Courtaulds	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Com. Union	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Cable & Wire	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
G.E.C.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Grand Met.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
I.C.I.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Land Securities	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Marks & Spen.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Rolls-Royce	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Shell Trans.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Trafalgar House	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
TSB	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Woolworth	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls Oct.	Calls Jan.	Calls Apr.	Puts Oct.	Puts Jan.	Puts Apr.
Bass	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
GKN	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jaguar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls Sept.	Calls Dec.	Calls Mar.	Puts Sept.	Puts Dec.	Puts Mar.
Barclays	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Midland Bk	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls Aug.	Calls Nov.	Calls Feb.	Puts Aug.	Puts Nov.	Puts Feb.
Brit Aero	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BAT Inds	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Brit. Telecom	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Cadbury Schweppes	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Guinness (*304)	300	70	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	330	42	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	360	18	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	390	10	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ladbroke (*429)	403	36	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
LASMO	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
P. & O.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Plessey	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Prudential	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Racal	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
R.T.Z.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Vaal Reefs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tr. 11¾% 1991	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tr. 11¾% 03/07	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls Sept.	Calls Dec.	Calls Mar.	Puts Sept.	Puts Dec.	Puts Mar.
Amstrad	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Beecham	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Boots	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BTR	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Blue Circle	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
De Beers	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dixons	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Glaxo	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Hanson	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Lonrho	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sears	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tesco	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Thorn EMI	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Trusthouse Forte	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE Index	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

July 2. Total Contracts 44,106. Calls [illegible]. Puts [illegible]. FT-SE Index Calls [illegible]. Puts [illegible].

*Underlying security price.

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. Date	1987 High	1987 Low	Stock	Closing Price	+ or −	Net Div.	Times Cov'd	Gross Yield	P.E. Ratio
§132	F.P.	30/6	205	155	B.D.A. Hldgs. 10p	205	+1	12.5	3.70	1.7	22.3
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1987 High	1987 Low	Stock	Closing Price £	+ or −
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

"RIGHTS" OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1987 High	1987 Low	Stock	Closing Price p	+ or −
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Renunciation date usually last day for dealing free of stamp duty. [illegible]

WORLD STOCK MARKETS

AUSTRIA

July 2	Price Sch%	+ or −
Creditanstalt	1905	−5
Goesser	2680	.....
Interunfall	11800	.....
Jungbunzlauer	7650	−100
Laenderbank	1810	.....
Perlmooser	690.00	.....
Steyr-Daimler	118.00	.....
Veitscher Mag	769.00	.....

BELGIUM/LUXEMBOURG

July 2	Price Frs.	+ or −
B.B.L.	3260	+10
Banque Gen. Du L.	15300	.....
Bank Int. A	14300	.....
Bekaert B	11525	.....
Ciment CBR	5980	+120
Cockerill	169	−1
Delhaize	3350	.....
EBES	5100	+90
Fabrique Nat	1470	−14
GB Inno BM	1162	.....
GBL (Brux) L	3680	+80
Generale Bank	6430	−20
Gevaert	7150	+150
Hoboken	7120	+20
Intercom	4030	+25
Kredietbank	4510	+10
Pan Holdings	12500	+50
Petrofina	11850	+225
Royale Belge	6030	+20
Soc Gen Belge	4000.00	+140
Sofina	15000	+300
Solvay	13475	+875
Stanwick Intl.	450	.....
Tractebel	7100	+10
UCB	10100	+100
Wagons Lits	5550	+40

DENMARK

July 2	Price Kr %	+ or −
Baltica Skand	950	.....
Cop Handelsbank	274	−2
D. Sukkerfab	317	−2
Den Danske Bank	348	−2
East Asiatic	193	−3
Forenede Brygg	835	−5
GNT Holding	252	+3
I.S.S.B. Systems	770	.....
Jyske Bank	530	−5
Novo Inds.*	261	−7
Privatbanken	272	−2
Sophus Berendsen	895	.....
Superfos	237	.....

FINLAND

July 2	Price Mka	+ or −
Amer	248	+5.5
KOP	50.7	−0.1
Kone	228	−1
Finnish Sugar	93.5	.....
Nokia	189.5	+4.5
Pohjola 'B'	83.1	+2.75
Rauma-Repola	27.75	−0.05
Stockmann 'B'	247.5	+4.5
UBF 'C'	32.95	+0.5
Utd. Paper	169	+7.5
Wartsila (S11)	231	+4.5

FRANCE

July 2	Price Frs.	+ or −
Emprunt 4½% '73	1860	−3
Emprunt 7% 1973	8840	+40
Accor	470.00	+5
Agence Havas	519.00	+5
Air Liquide	690	+9
BIC	740	.....
BNP (Cert. Inv.)	552	−1
Bongrain	2800	.....
Bouygues	1160	+55
BSN Gervais	4860	+290
CIT-Alcatel	2490	+51
Carrefour	3201	+12
Club Mediteranee	585.00	+9
Cie Bancaire	694	+12
Cofimeg	355.00	+4
CGE	319.00	+4
Damart	2615	+15
Darty	435	+17
Dumez S.A.	2170	+40
Eaux (Cie Gen)	1300	+60
Elf-Aquitaine	366.50	+11.6
Essilor	3580	+40
Gen. Occidentale	1189	+35
Imetal	136.10	+3.3
Lafarge Coppee	1578	+48
L'Oreal	3587	+131
Legrand	5450	+110
Maisons Phenix	81.00	+4
Matra S.A.	2370	+90
Michelin B.	3220	+105
Midi (Cie)	1396	+36
Moet-Hennessy	2700	+75
Moulinex	76	.....
Nord Est	169.80	+4.8
Paribas	468.00	+9
Pernod Ricard	1002	+36
Perrier	798	+20
Petroles Fra	450.00	−5
Peugeot S.A.	1535	+17
Printemps Au.	669	+6
Radiotech	1450	+25
Redoute	2989	+33
Roussel-Uclaf	1470	.....
St. Gobain	441.00	+18
Sefimeg	499	+8
Skis Rossignol	1179	+4
Telemech Elect.	2980	+70
Thompson (CSF)	1342	+9
Valeo	591.00	+16

GERMANY

July 2	Price Dm.	+ or −
AEG	312.00	.....
Allianz Vers	1848	+10
BASF	300.50	+4
Bayer	332.50	+6
Bayer-Hypo	438	+14
Bayer-Verein	426	+4
BHF-Bank	439	+6
BMW	697	+28
Brown Boveri	310.00	.....
Commerzbank	271.50	+2
Cont'l Gummi	334.80	+8.8
Daimler-Benz	1097	+7
Degussa	497.50	+5.5
D'sche Babcock	251	+1
Deutsche Bank	644	+11
Dresdner Bank	330.50	+4
Feld Muehle Nob	319	+6.5
Henkel	550	+23.5
Hochtief	612	−3
Hoechst	302.50	+6.1
Hoesch Werke	118.10	+0.1
Holzmann (P)	403	+1
Horten	224	+4
Hussel	570	+77
Karstadt	467.80	+1.3
Kaufhof	478.80	+12.3
KHD	177.50	+4.5
Kloeckner	40.50	+0.3
Linde	726.50	+1.5
Lufthansa	187	−2
MAN	179	+3.5
Mannesmann	165.50	+0.5
Mercedes Hld.	952	+12
Metallgesell	341	+1.5
Muench Rueck	1850	−30
Nixdorf	813.50	+15.5
Porsche	972	+7
Preussag	158.00	.....
Rhein West Elect.	215	−0.8
Rosenthal	260	+3
Schering	576	−3
Siemens	690.50	+4.9
Thyssen	123	+0.5
Varta	350	+9
Veba	311.30	+2.8
V.E.W.	165	−9
Verein-West	405.00	.....
Volkswagen	418.90	+7.4

ITALY

July 2	Price Lire	+ or −
Banca Com'le	23415	−84
Bastogi-IRBS	640	.....
CIR	6020	−20
Credito Italian	1960	−10
Fiat	12690	−170
Generali Assicur	130500	−1500
Italcement	101400	.....
La Rinascenti	1220	−15
Montedison	2280	−100
Olivetti	12320	−80
Pirelli Co	6480	+180
Pirelli Spa	5030	−30
Saipem	3499	.....
Snia BPD	3575	−25
Toro Assic	31190	+120

NETHERLANDS

July 2	Price Fls.	+ or −
ACF Holding	61	.....
AEGON	96.3	+2.8
Ahold	104	+0.1
AKZO	155.6	+1.3
ABN	478.5	−0.5
AMEV	64.7	+0.6
AMRO	77	−0.4
Boehringer-Tet	53.3	−0.1
Dordtsche Petroleum	248.8	+3.3
Elsevier Ndu	54	+0.3
Fokker	53.7	+0.9
Gist Brocades	46.2	+0.8
Heineken	179	+1.2
Hoogovens	45.5	+2.2
Hunter Douglas	35.6	+0.7
IHC Caland	22.2	+0.2
Int Mueller	65.5	−0.5
KLM	51.9	+1.1
KNP	146.3	+0.1
Nat Ned Cert	79.3	+0.8
Ned Mid Bank	174.5	+3
Ned Lloyd	152	+2
Oce Grinten	460	+5
Ommeren (Van)	37	+0.2
Pakhoed	77.9	+1.9
Philips	51.6	+0.9
Robeco	106.5	+0.7
Rodamco	139.7	+0.1
Rolinco	99	+1
Rorento	52.4	+0.1
Royal Dutch	276.8	+4.1
Unilever	136.3	+1.3
VMF Stork	24.6	+0.4
VNU	84.8	−0.3
Wessanen	92	+2.5
Wolters Samsom	130	−1.8

NORWAY

July 2	Price Kroner	+ or −
Aker-Norcem	79.00	.....
Bergen bank	173	−0.5
Bergesen B	370	−5
Christiania Bk.	180	+1
Den Norsk Credit	153	+0.5
Elkem	102	−0.5
Kosmos	134.5	+0.5
Kvaerner	219.5	−0.5
Norsk Data	216	−0.5
Norsk Hydro	212.00	.....
Orkla Borregaar	400	+2
Storebrand	340	−2

SPAIN

July 2	Price Pts.	+ or −
Banco Bilbao	1340.00	−5
Banco Central	1028.00	−5
Banco Exterior	420.00	.....
Banco Hispano	499.00	.....
Banco Popular	1590.00	.....
Banco Santander	1153.00	+6
Banco de Vizcay	1850.00	.....
Banesto	749.00	−1
Dragados	840.00	−20
Hidrola	77.50	−1
Iberduero	116.00	−4.5
Petroleos	536.00	−6
Telefonica	186.20	−6.8

SWEDEN

July 2	Price Kronor	+ or −
AGA (free)	200.00	−3
Alfa-Laval	312.00	.....
ASEA (Free)	355.00	−2
Astra (Free)	281	.....
Atlas Copco	171.00	+1
Beijer A Fria	229.00	.....
Cardo (Free)	240.00	+10
Cellulosa	344.00	−1
Electrolux B	289.00	+4
Ericsson	243.00	+3
Esselte	162.00	+1
Mo Och Domsjo	384.00	+1
Pharmacia	199.00	−2
Saab-Scania (free)	630.00	.....
Sandvik	170.00	.....
Skandia Ins	153.00	+4
Skan Enskilda	129.00	+1
SKF	339.00	+1
St. Kopparbergs	394.00	+8
Svka Handelsbn	445.00	+5
Swedish Match	104	.....
Volvo B (Free)	312.00	+2

SWITZERLAND

July 2	Price Frs.	+ or −
Adia Intl.	11850	+350
Alusuisse	653	+3
Bank Leu	3225	+25
Brown Boveri	2390	+55
Ciba Geigy	3700	+50
do. (PtCts)	2485	+35
Credit Suisse	3140	+10
Elektrowatt	3610	+10
Fischer (Geo.)	1475	+15
Hoff-Roche (Pt Cts)	132750	+750
Hoff-Roche 1/10	13300	+25
Jacobs Suchard	9090	+115
Jelmoli	3600	+75
Landis & Gyr	1585	−25
Nestle	9725	+25
Oer-Buhrle	1385	+40
Pargesa Hldg	2230	+10
Pirelli	431	+2
Sandoz (Br)	12500	+50
Sandoz (PtCts)	2140	+20
Schindler (PtCts)	810	−5
Sika	1645	+5
Surveillance	6590	+65
Swissair	1355	+95
Swiss Bank	460	+6
Swiss Reinsce	17000	+100
Swiss Volksbk	2120	.....
Union Bank	4700	.....
Winterthur	6500	−50
Zurich Ins	6575	−75

AUSTRALIA

July 2	Price Aust$	+ or −
ACI Int.	4.05	+0.05
A.F.P.	2.60	+0.05
Adelaide Steams	8.70	+0.46
Amcor	4.80	+0.05
ANZ Group	4.16	+0.04
Ampol Pet	3.15	+0.05
Ariadne Aust	2.75	.....
Ashton	3.60	+0.2
Aust Guarant	2.80	−0.02
Aust Nat Inds	1.98	.....
Bell Group	8.00	+0.34
Bell Resources	4.15	+0.07
Bond Corp Hldgs	2.49	.....
Boral	5.20	+0.1
B'ville Copper	4.40	+0.2
Brambles Inds	9.40	+0.4
Bridge Oil	1.52	−0.03
BHP	9.74	.....
BHP Gold	1.25	+0.01
Burns Philp	4.60	.....
CRA	8.70	+0.38
CSR	4.02	.....
Chase Corp	2.80	.....
Claremont Petro	1.10	.....
Coles Myer	7.46	+0.26
Comalco "A"	3.50	+0.05
Consolidated Pet	0.19	+0.01
Costain Aust	2.40	.....
Elders IXL	4.74	+0.01
Energy Res	2.70	+0.05
Gen Prop Trust	3.40	+0.08
Goodman Fielder	3.77	+0.02
Hardie (J.)	3.65	+0.05
Hartogen Energy	3.30	+0.02
ICI Aust	4.10	.....
Industrial Equity	4.60	+0.1
Jimberlana (50cFP)	0.50	.....
Jones (David)	10.60	+0.1
Kia Ora Gold	1.15	+0.05
Kidston Gold	6.60	−0.1
Land Lease	15.20	+0.9
MIM	2.50	+0.2
Mayne Nickless	4.65	+0.09
Nat. Aust. Bank	4.78	+0.13

AUSTRALIA (Continued)

July 2	Price Aust$	+ or −
News	19.20	+0.3
Noranda Pacific	3.85	+0.15
North Bkn Hill	2.98	+0.18
Oakbridge	0.58	.....
Pacific Dunlop	4.90	+0.03
Pancont'l	3.50	.....
Pioneer Conc	3.40	+0.05
Placer Pacific	3.52	+0.02
Poseidon	4.90	+0.05
Queensland Coal	1.57	+0.01
Santos	6.72	+0.06
Smith (H.)	4.75	.....
Thos Nationwide	4.40	+0.05
Tooth	7.96	.....
Vamgas	3.70	.....
Western Mining	6.60	+0.2
Westpac	4.86	+0.01
Woodside Petrol	2.00	+0.05
Woolworths	3.35	+0.15
Wormald Intl	3.20	−0.05

HONG KONG

July 2	Price H.K.$	+ or −
Bank East Asia	25.90	+0.1
Cathy Pacific	6.40	+0.1
Cheung Kong	12.70	+0.3
China Light	23.50	+0.4
Evergo	0.68	.....
Hang Lung	14.80	+0.3
Hang Seng Bank	41.00	+0.25
Henderson Land	6.85	+0.05
Hong Kong China	18.50	+0.1
HK Electric	9.50	+0.2
HK Land	7.45	+0.3
HK Shanghai Bank	9.20	+0.15
HK Telephone	14.20	+0.3
Hutchison Wpa	13.80	+0.6
Indust Equity P	20.60	−0.1
Jardine Math	18.50	+0.3
New World Dev	13.20	+0.5
SHK Props	17.10	+0.3
Shell Elec. Mfg.	1.45	.....
Swire Pac A	23.80	+0.5
TV-B	14.40	+0.2
Wharf Hldgs	9.25	−0.45
Windsor Ind.	12.80	+0.5
World Int. Hldgs	4.15	+0.05

JAPAN

July 2	Price Yen	+ or −
Ajinomoto	3250	+120
All Nippon Air	1810	+50
Alps Electric	2360	+20
Asahi Chemicals	1170	+10
Asahi Glass	1910	+30
Bank Tokyo	1630	+20
Bridgestone	1070	+30
Brother Inds.	658	−5
Canon	958	+14
Casio Computers	1310	+20
Chugai Pharm	1960	+60
Daiei	1840	+40
Dai Ichi Kan Bank	3280	+180
Dai Nippon Ink	790	−5
Dai Nippon Ptg	2180	+40
Daiwa House	2350	−30
Daiwa Sec	2970	+90
Eisai	2280	−20
Fanuc	6070	+20
Fuji Bank	3200	+20
Fuji Film	3890	+60
Fujisawa	2360	+100
Fujitsu	1170	+30
Furukawa Elect	731	+18
Green Cross	2700	+40
Heiwa Real Est	1690	.....
Hitachi	1190	.....
Hitachi Credit	1690	+50
Honda	1640	+20
Indl Bank Japan	4290	+50
Ishikawajima Ha	650	+5
Isuzu Motors	399	+7
Itoh (C)	770	.....
Ito Yokado	4000	.....
JAL	13200	−300
Jusco	1710	.....
Kajima	1640	−50
Kao Soap	2070	+20
Kawasaki Steel	235	−5
Kirin	2590	+60
Kobe Steel	250	−12
Komatsu	659	−16
Konishiroku	860	+1
Kubota	599	+20
Kumagai	1040	+10
Kyoto Ceramic	5750	+90
Marubeni	590	+25
Marui	3400	+30
Mazda Motors	420	−3
Meiji Seika	1140	.....
MEI	2310	+60
M'bishi Bank	3170	+70
M'bishi Chem	1270	+40
M'bishi Corp	1270	−30
M'bishi Elec	680	+15
M'bishi Estate	2760	−60
MHI	595	+4
Mitsui Bank	2500	+50
Mitsui Co.	754	+4
Mitsui Estate	2420	−20
Mitsui Toatsu	755	+15
Mitsukoshi	1740	.....
NGK Insulators	909	+4
Nikko Sec	2460	+110
Nippon Denso	1590	−10
Nippon Elect	2150	+40
Nippon Express	1200	+30
Nippon Gakki	1560	+10
Nippon Kogaku	874	−1
Nippon Kokan	274	+6
Nippon Oil	1440	+80

JAPAN (Continued)

July 2	Price Yen	+ or −
Nippon Seiko	567	+7
Nippon Shimpan	1370	+60
Nippon Steel	310	−9
Nippon Suisan	611	+10
Nippon Yusen	585	.....
Nissan Motor	720	+6
Nisshin Flour	1240	−20
Nomura	4730	+140
Olympus	1110	+10
Onada Cement	688	+10
Orient Finance	1620	+120
Orient Leasing	3850	+100
Pioneer	3130	+120
Ricoh	1060	+20
Sankyo	1940	+80
Sanwa Bank	2930	+30
Sanyo Elect	570	+13
Sapporo	1950	−30
Sekisui House	2370	.....
Seven-Eleven	8100	−50
Sharp	1190	+20
Shimizu Const.	951	−8
Shionogi	1780	+30
Shiseido	2160	+100
Showa Denko	685	+16
Sony	4230	+80
S'tomo Bank	3850	.....
Sumitomo Chem	970	+31
Sumitomo Corp	1010	.....
S'tomo Elect	1780	−10
S'tomo Metal	224	−6
Taisei Corp	1010	−40
Taisho Marine	1190	+30
Taiyo Kobe Bank	1650	+40
Takeda	3180	+20
TDK	4040	+40
Teijin	825	+5
Toa Nenryo Kyo	2220	+150
Tokai Bank	2300	+20
Tokyo Marine	2260	+100
Tokyo Elect Pwr	6440	+70
Tokyo Gas	1060	−40
Tokyu Corp	1710	−30
Toppan Print	1640	−10
Toray	707	+6
Toshiba Elect	665	−15
Toyo Seikan	2600	+100
Toyota Motor	1930	+40
UBE Inds	486	+21
Victor	3270	+140
Yamaha	817	−1
Yamaichi Sec	2410	+50
Yamanouchi	4430	+80
Yamazaki	1650	+10
Yasuda Fire	1160	+50

SINGAPORE

July 2	Price $	+ or −
Boustead Hldgs	2.00	.....
Cerebos Pacific	5.7	.....
Cold Storage	4.64	+0.04
DBS	14.5	+0.3
Genting	6.65	.....
Haw Par Bros	4.96	−0.09
Hong Leong Fin.	4.8	.....
Inchcape Bhd	5.45	.....
Keppel Shipyard	3.66	.....
Malay Banking	7.65	+0.05
Malayan Utd. Ind.	2.4	−0.03
Multi Purpose	0.9	.....
OCBC	9.40	.....
OUB	4.7	+0.16
Public Bank	2.58	+0.05
Sime Darby	3.48	+0.02
Singapore Air	12.9	+0.1
Singapore Press	9	+0.05
Straits Trading	4.42	−0.02
Tat Lee Bank	3.52	+0.02
UOB	5.85	+0.05

SOUTH AFRICA

July 2	Price Rand	+ or −
Abercom	3.15	+0.1
AE & CI	17.00	−0.25
Allied Tech.	150.00	.....
Anglo Am Coal	33.50	.....
Anglo Am Corp	82.00	.....
Anglo Am Gold	368.00	.....
Barclays Bank	21.50	.....
Barlow Rand	24.25	−0.15
Buffels	72.75	−0.25
CNA Gallo	4.50	.....
Currie Finance	5.55	+0.05
De Beers	41.20	+0.45
Driefontein	81.00	+0.5
Freegold	53.50	+0.5
Gold Fields SA	80.00	.....
Highveld Steel	6.85	.....
Malcor Hldgs	19.00	−0.25
Nedbank	8.30	+0.1
OK Bazaars	18.50	.....
Rembrandt	15.00	.....
Rust Plat	53	+0.75
Safren	26.00	−2
Sage Holdings	16.00	.....
SA Brewers	18.75	−0.25
Smith (C.G.)	44.50	.....
Tongaat Hulett	12.40	.....

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. ‡ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Kroner.

CANADA

TORONTO
Prices at 2.30pm July 2

Sales	Stock	High	Low	Close	Chng
7812	AMCA Int	$10½	10¼	10½	+¼
147515	Abitibi Pr	$34½	34	34	−½
13800	Agnico E	$30	29⅞	30	
15102	Albrta En	$20½	20¼	20¼	
100	Albrta N	$14⅝	14⅝	14⅝	−⅛
110842	Alcan	$41⅜	40⅞	41⅛	+¾
100	Algo Cent	$22½	22½	22½	−⅛
3035	Algoma St	$16¼	16	16¼	
23900	Asamera	$13¼	12⅞	13⅛	+⅜
27700	Atco I f	$11⅜	11¼	11⅜	+⅛
50	Atco II	$11⅛	11⅛	11⅛	
3100	BC Sugar A	$29	29	29	
4600	BGR A	$13⅞	13½	13⅞	+½
59984	BP Canada	$22¾	22⅝	22¾	
4150	Banister C	$13½	13⅛	13½	+¼
6030	Bk BCol	60	58	58	−1
431704	Bk Montl	$34	33⅝	34	+¼
98711	Bk NScot	$18	17⅞	17⅞	
180270	Bell Can	$42⅝	42⅛	42⅛	
15549	Bow Valy	$19⅞	19½	19½	−¼
8300	Bralorne	240	230	230	−5
5200	Bramalea	$23¼	23	23¼	+¼
28188	Brascan A	$35⅜	35⅛	35⅜	+⅛
80175	Brkwater	$8⅝	8⅛	8⅛	+¼
1700	Brenda M	$13½	13	13	−¾
60132	BC ForP	$21½	21⅛	21½	+¼
8916	BC Res	124	122	124	+2
13105	BC Phone	$28	27¾	27⅞	−⅛
18082	Brunswk	$16	16	16	+⅛
75050	CAE	$10¾	10⅝	10⅝	+⅛
12795	CCL B f	$14¼	14	14	
100	CIL	$29⅞	29⅞	29⅞	
43400	Cad Frv	$32⅝	32½	32½	−⅛
47500	Cambridg	$28⅝	28⅛	28⅝	+⅝
3126	Camp RLk	$34¼	33⅞	34¼	+¼
300	Camp Res	285	285	285	
9193	Camp Soup	$21⅝	21	21	+¼
292160	Campeau f	$40½	39	40¼	+1¼
18352	CCem ex p	$15¾	15⅝	15⅝	+¼
95240	CDC f	$14½	14⅛	14⅛	−⅜
220	Can Malt	$21¾	21⅝	21¾	−⅛
17007	C Nor West	$24⅞	24¼	24⅞	+⅞
8500	C Packrs	$16	16	16	−⅛
1553	CS Pete f	385	370	385	−10
150	Can Trust	$74	74	74	+⅝
3100	Cdn GE	$21½	21⅛	21⅛	−⅜
1200	CG Invest	$51¾	51½	51½	
105411	CI Bk Com	$21⅞	21½	21⅞	+⅛
7500	C Marconi	$20¾	20⅛	20¾	+½
11295	C Ocdental	$39⅞	39½	39⅝	
496916	CP Ltd	$25⅝	25	25½	+½
68831	CTire A f	$15¼	14⅞	15	+⅛
8789	CUtil A f	$20¼	20⅛	20¼	+⅛
6800	CUtil B	$20¾	20⅛	20⅜	
31715	Canfor	$29½	29¼	29½	+½
200	Cara	$12⅝	12⅝	12⅝	−⅛
11400	Carma A	11½	11	11	
2400	Celanese	$20½	20¼	20½	−⅛
1550	CentFd A	$9¼	9	9	−¼
100	Centrl Tr	$21⅞	21⅞	21⅞	
5600	Chieftan	$14⅛	13⅞	13⅞	−⅛
3600	CHUM B f	$15⅝	15½	15½	
215997	Cominco	$17¼	15⅞	17⅛	+¾
147900	Computlog	$6⅝	6⅜	6⅜	
7333	Comput In	310	310	310	−10
100	Comterm	85	85	85	
64350	Con Bath A	$18¼	17¾	18¼	+⅜
76900	CDistb B f	465	450	465	+15
3315	Cons Gas	$26⅞	26⅝	26⅞	−⅛
400	Con Glass	$25	24¾	24¾	−¼
290	CTL Bank	335	335	335	−5
982	Conwst B	$13	12¾	12¾	
200	Corby	$20¼	20¼	20¼	−½
1300	Costain Ltd	$12⅝	12⅝	12⅝	−⅛
7000	Coseka R	114	108	114	+7
6200	Crownx	$16½	16¼	16¼	
18712	Crownx A f	$7¾	7⅝	7¾	
21600	Czar Res	240	230	235	+10
2765	Denison A p	$7	7	7	−⅛
20590	Denison B f	$6⅝	6¼	6¼	
1500	Dicknsn A f	$11¾	11⅝	11¾	+⅛
185384	Dofasco	$24½	24⅛	24¼	−⅛
57700	Dome Mine	$17½	17	17½	+⅜
174548	Dome Pete	116	113	114	
9700	D Textile	$19¾	19¾	19¾	
232575	Domtar	$19⅝	19¼	19¼	−⅜
3400	Du Pont A	$30½	30	30	
56200	Dylex A	$15⅞	15¾	15¾	
200	E-L Fin	$63	63	63	−2
39005	Echo Bay	$47¼	46⅞	47¼	+¼
2900	Emco	$14	13½	13½	−¼
7200	FCA Intl	$16⅞	16¾	16¾	
200521	Fienbrdg	$21⅞	21⅛	21⅞	+⅝
21000	Fed Ind A	$17½	17¼	17⅜	−⅛
2100	Fed Pion	$12¾	12¾	12¾	−¼
9300	FCity Fin	$19	18⅞	18⅞	−⅛
800	Ford Cnda	$176	176	176	
300	Gandalf	$10¾	10¾	10¾	−⅛
20800	Geac Comp	265	251	253	−17
5300	Gendis A	$19½	19⅛	19⅛	−⅜
9600	Gibritar	$11⅝	11¼	11⅝	+⅝
15265	Goldcorp f	$10½	10⅛	10⅜	+⅞
16800	Grafton A f	$14½	14½	14½	
8100	GL Forest	$46	45½	46	+½
3450	GuarPA f	$18⅛	18	18⅛	+⅛
200	Hawker	$26⅝	26⅝	26⅝	−⅛
5524	Hayes D	$12	11½	11½	−⅜
18185	Hees Intl	$25	24¾	24⅞	−⅛
2753	H BayMn s	$10⅜	10	10⅜	+¾
12432	H Bay Co	$23¼	23	23	−⅜
48800	Imasco	$35⅝	35½	35½	+⅛
38093	Imp Oil A	$74⅝	73½	74⅝	+1⅛
131368	Inco	$22⅝	22⅛	22⅝	
6200	Indal	$13⅝	13⅝	13⅝	
3000	Inland Gas	$14⅝	14⅝	14⅝	+⅛
9605	Innopac	$10	9⅞	10	+⅛
44626	Inter City	$19⅝	19	19⅝	+¼
100381	Intl Thom	$14⅛	13⅞	13⅞	
29275	Intpr Pipe	$50¾	50¾	50¾	−¼
100	Ipsco	$10¾	10¾	10¾	
7000	Ivaco A f	$15¼	14¾	15	+⅛
16200	Jannock	$20⅜	20⅛	20⅜	+¼
2915	Kerr Add	$23¼	23¼	23¼	+⅛
300	Kiena Gld	$19⅞	19⅝	19⅝	−⅜
52550	Labatt	$26¾	26½	26½	
21748	LL Lac	$40	39¾	39¾	−⅝
8200	Lacana	$17¾	17½	17½	
29865	Laidlaw A	$21½	21	21	−¼
244345	Laidlw B f	$20	19¾	20	+¼
3100	Leigh Inst	$5¼	5⅛	5⅛	−⅛
88300	Loblaw Co	$15¼	15⅛	15⅛	
69575	Lumonics	$11⅞	11½	11⅞	+⅜
400	MICC	$16⅞	16⅞	16⅞	+⅛
1400	MSR Ex	325	310	325	+25
74645	Mclan H X	$20	19¾	19⅞	+⅛
10250	Mcln HY f	$17⅜	17½	17¾	
269551	Macmilan	$27⅜	27	27¼	+⅜
83700	Magna A f	$25	24¾	25	+⅜
10526	Maritime f	$15¾	15½	15½	−⅛
400	Mc Intyre	$43	43	43	+½
4550	Minrl Res	420	415	420	+15
154506	Mitel Corp	$6⅛	5⅞	5⅞	−⅛
100	Moffat	$15¾	15¾	15¾	
17235	Molson A f	$24⅝	24⅛	24⅛	+⅛
300	M Trusco	$14⅝	14¼	14¼	+⅛
165250	Moore	$34⅞	34½	34½	+⅛
1200	Murphy	$30⅝	30½	30⅝	
33501	Nat Bk Can	$14½	14¼	14⅜	+⅛
31430	Nt Vg Trco	$24	24	24	
900	Nft CapA f	$11¾	11¾	11¾	−¼
3100	Nfld LP A	$20¾	20¼	20¼	−⅜
169047	Noranda	$29	28	28⅞	+⅝
18760	Norcen	$26¾	26½	26¾	+¼
12086	Norcn ord f	$23⅝	23½	23½	
6648	NC Oils	$17⅜	17⅛	17⅛	
101509	Nor Tel	$28¼	28	28⅛	
7400	Northgat	$9⅞	9⅝	9⅞	
173255	Nva AltA f	$9¼	9	9⅛	
100410	Nowsco W	$20½	19½	20¼	
18183	Nu West	38	36	36	−2
6322	Numac	$11	10½	10½	−½
800	Oakwood	305	305	305	+5
300	Oakwd A f	175	175	175	−5
2800	Ocelot B f	$5½	5¼	5½	+⅛
5400	Omega Hyd	$8½	8⅛	8¼	−¼
37075	Oshawa A f	$22¼	21¾	22	
155450	PacW Airl	$25½	25⅛	25½	+⅜
33250	Pgurin A f	$14½	14⅛	14⅛	−¼
13036	Pamour	$15	14½	15	+1
4400	PanCan P	$33¼	33⅛	33⅛	−⅛
64149	Pegasus	$26¼	25¼	26⅝	+1⅜
100	Pembina	$17¾	17¾	17¾	−¼
5600	PJewl A f	$14	13⅞	13⅞	−⅛
1015	Pine Point	$14¼	14¼	14¼	+½
100882	Placer D	$20¾	20½	20¾	+⅜
12100	Poco Pet	$16	15¾	15⅞	−⅛
38110	Powr Cor f	$16⅞	16¾	16¾	
652	Precamb	365	365	365	+5
49700	Provigo	$12½	12⅜	12⅜	
11825	Que Sturg	$7	6¾	7	+¼
30050	Ranger	$7⅝	7⅜	7⅜	−¼
3200	Rayrock f	$12	11½	11¾	−¼
11442	Redpath	$12⅝	12	12⅛	−⅝
13963	Rio Algom	$21	21	21	−¼
500	Rogers A	$22¼	22¼	22¼	+¾
32170	Rogers B f	$22	21½	21⅞	+½
700	Roman	$16⅛	15¾	15¾	+¼
125	Rothman	$78½	78½	78½	−½
391879	Royal Bnk	$34⅝	34	34⅝	+⅛
24833	RyTrco A	$17⅛	16¾	16¾	−½
46852	Royex	$5⅛	5	5⅛	+⅛
10335	SHL Syst	$25	24¼	24¼	−¼
4325	StL CemA f	$27	26⅞	26⅞	
2875	Sceptre	480	470	470	−10
3300	Scot Paper	$20⅜	20¼	20¼	
8950	Scotts f	$11½	11½	11½	−⅛
500	Scotts C	$12⅝	12⅝	12⅝	+⅛
45701	Seagram	$102⅛	99¾	101⅞	+1⅜
137130	Sears Can	$12	11¾	11⅞	+⅛
9700	Selkirk A f	$18⅜	18⅜	18⅜	+¼
11064	Shell Can	$47	46½	46½	−½
130485	Sherritt	$5¾	5½	5½	−⅛
1500	Sigma	$18¾	18¾	18¾	
40682	Southm	$24	23⅝	23⅝	−⅛
5190	Spar Aero f	$20½	20⅛	20⅜	+⅛
3600	Steinbg A f	$37	36½	36⅝	−⅜
13643	Stelco A	$24¼	24⅛	24⅛	−¼
14875	Teck B f	$30⅝	30⅛	30⅝	
200	Tele Met	$29	29	29	−½
12871	Terra Mn	250	245	249	+4
41960	Texaco Can	$37½	37⅛	37¼	+⅛
26780	Thom N A	$33¾	33¼	33¾	+½
181241	Tor Dm Bk	$30⅜	30⅛	30⅜	+½
6620	Tor Sun	$19¾	19¾	19¾	
6615	Torstar B f	$31⅝	31	31½	+½
10800	Total Pet	$25½	25⅛	25½	−⅛
4238	Traders A f	$67	66½	66¾	+¼
2300	Trns Mt	$16¼	15¾	16	
30115	TrnAlta UA	$29½	29	29¼	
58953	TrCan PL	$17⅝	17⅛	17⅝	
19360	Trilon A	$20⅛	20	20	−⅛
243986	Trimac	$5	495	5	
200	Trinity Res	85	85	85	
6400	Trizec A f	$33	33	33	−½
4560	Trizec B	$33¾	33¾	33¾	
13188	Ulster P	290	280	285	+5
200	Un Carbid	$17⅝	17⅝	17⅝	
633	U Canso	117	117	117	+2
2664	Un Corp	$50	50	50	
18400	Versil A f	70	65	65	−5
38500	Versil B	60	50	50	−10
3000	Vestgron	115	115	115	
3810	Vulcan Ind	300	290	290	−10
11600	Wajax A	$14⅞	14¾	14¾	
17314	Wcoast T	$18⅝	18¼	18⅝	+⅛
14400	Westmin	$12	11⅞	11⅞	+⅜
7125	Weston	$41½	41¼	41⅜	−⅜
203	Woodwd A	$6	6	6	

f—No voting rights or restricted voting rights.

MONTREAL
Closing prices July 2

Sales	Stock	High	Low	Close	Chng
25554	Bank Mont	$34⅛	33⅞	34⅛	+⅜
2260	BombrdrA	$23½	23⅜	23⅜	
23150	BombrdrB	$23¾	23⅛	23½	
7750	CB Pak	$22¾	22½	22⅝	
41437	Cascades	$13	12¾	13	+⅛
500	CIL	$30¼	30¼	30¼	+¼
74100	ConBath	$18¼	17⅞	18¼	+¼
998	DomTxtA	$19⅞	19⅝	19⅝	−⅛
1647	MntTrst	$14¼	14¼	14¼	−⅛
15587	NatBk Cda	$14½	14¼	14½	+¼
26825	Noverco	$12⅛	11⅞	12⅛	+⅛
197455	Power Corp	$17¼	16⅝	17¼	+½
26822	Provigo	$12½	12¼	12¼	−⅛
3400	RollandA	$15½	15¼	15½	
55797	Royal Bank	$34½	34½	34½	+⅜
725	SteinbrgA	$37	36¾	36¾	
5938	Video Tron	$16⅛	15⅞	15⅞	−¼

Total Sales 5,794,067 shares

Indices

NEW YORK-DOW JONES

	July 2	July 1	June 30	June 29	June 26	June 25	1986/87 High	1986/87 Low	Since Compilation High	Since Compilation Low
Industrials	2,436.78	2,409.76	2,418.53	2,446.91	2,438.86	2,451.05	2451.05 (25/6/87)	1927.31 (2/1)	2451.05 (25/6/87)	41.22 (2/7/32)
Transport	1,030.43	1,023.45	1,028.08	1,028.5	1,028.79	1,039.25	1029.79 (26/6/87)	818.38 (2/1)	1038.25 (25/6/87)	12.32 (8/7/32)
Utilities	205.90	205.85	205.90	207.22	207.11	210.10	227.83 (22/1/87)	191.39 (20/5)	227.83 (8/4/87)	10.5 (8/4/32)
Trading vol	—	157.04m	188.28m	142.49m	150.54m	173.52m	—	—	—	—

	July 2	June 26	June 19	Year Ago (Approx)
Ind Div Yield %		2.82	2.81	3.58

STANDARD AND POORS

	July 2	July 1	June 30	June 29	June 26	June 25	1987 High	1987 Low	Since Compilation High	Since Compilation Low
Industrials	352.88	(—)	352.92	357.63	355.73	358.31	358.31 (25/6/87)	274.58 (2/1/87)	355.73 (26/6/87)	3.62 (21/6/32)
Composite	305.63	302.94	304.00	307.00	307.20	308.06	309.65 (22/6/87)	246.45 (2/1/87)	309.65 (22/6/87)	4.40 (1/6/32)

	June 24	Juni 17	Juni 10	Year Ago (Approx)
Ind div yield %	2.49	2.42	2.48	3.77
Ind. P/E Ratio	23.46	23.25	22.71	11.54
Long Gov Bond Yield	8.4	8.46	8.73	7.81

N.Y.S.E. ALL COMMON

July 2	July 1	June 30	June 29	1987 High	1987 Low
171.83	170.52	171.87	172.99	176.77 (22/6)	141.61 (21/1)

RISES AND FALLS

	July 1	June 30	June 29
Issues traded	1,950	1,970	1,945
Rises	651	591	707
Falls	855	993	814
Unchanged	444	386	424

TORONTO

	July 2	July 1	June 30	June 29	1987 High	1987 Low
Metals & Minls	2,828.5	(c)	2,778.2	2,763.8	2,943.6 (11/5/87)	1,888.2 (2/1/86)
Composite	3,767.7	(c)	3,740.2	2,733.5	3,881.2 (6/4/87)	3,067.8 (2/1/86)
MONTREAL Portfolio	1,812.81	(c)	1,898.42	1,894.54	1,935.0 (6/4/87)	1,534.3 (2/1/85)

* Indicates pre-close figure

	July 2	July 1	June 30	June 29	1987 High	1987 Low
AUSTRALIA						
All Ord (1/1/80)	1800.0	1774.0	1765.8	1761.9	1858.8 (18/5)	1486.7 (2/2)
Metals & Minerals (1/1/80)	1079.6	1051.5	1029.0	1033.1	1287.5 (18/5)	729.1 (2/1)
AUSTRIA						
Credit Aktien (30/12/84)	185.41	185.74	185.94	(u)	230.60 (2/1)	182.21 (19/6)
BELGIUM						
Brussels SE (1/1/84)	4829.61	4780.22	4786.80	4800.76	4829.61 (2/7)	3987.86 (9/1)
DENMARK						
Copenhagen SE (3/1/83)	(u)	206.68	206.85	207.96	217.57 (22/1)	189.64 (6/1)
FINLAND						
Unitas General (1975)	570.1	565.9	560.6	554.4	570.1 (2/7)	425.2 (5/1)
FRANCE						
CAC General (31/12/82)	407.40	402.80	404.50	404.60	460.4 (26/3)	392.0 (2/1)
Ind Tendance (31/12/86)	104.20	101.90	101.80	101.70	117.2 (26/3)	97.8 (2/1)
GERMANY						
FAZ Aktien (31/12/58)	620.01	608.83	619.23	624.68	676.84 (6/1)	538.32 (19/3)
Commerzbank (1/12/53)	1875.90	1841.20	1873.10	1892.20	2048.3 (6/1)	1633.8 (19/3)
HONG KONG						
Hang Seng Bank (31/7/64)	3229.15	3163.99	3178.19	3151.98	3229.15 (2/7)	2449.88 (20/1)
ITALY						
Banca Com. Ital (1972)	677.85	685.56	691.27	691.18	767.34 (30/4)	673.60 (3/3)
JAPAN**						
Nikkei (16/5/49)	24636.46	24252.38	24176.40	24509.41	25929.42 (17/6)	18544.0 (13/1)
Tokyo SE New (4/1/68)	2072.39	2042.53	2039.08	2076.91	2258.56 (11/6)	1557.46 (13/1)
NETHERLANDS						
ANP CBS Gen (1970)	306.40	303.50	306.80	306.60	306.80 (30/6)	257.7 (28/1)
ANP CBS Indust. (1970)	260.70	259.00	20.700	262.50	274.9 (5/1)	243.60 (11/6)
NORWAY						
Oslo SE (4/1/83)	431.75	432.00	432.26	429.57	436.16 (24/4)	361.98 (2/1)
SINGAPORE						
Straits Times (30/12/66)	1268.70	1261.18	1261.04	1265.70	1268.70 (2/7)	889.08 (2/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	(u)	2085.0	2060.0	2047.0	2308.0 (27/4)	1786.0 (19/3)
JSE Indust (28/9/78)	(u)	1931.0	1923.0	1914.0	1957.0 (19/5)	1423.0 (2/1)
SPAIN						
Madrid SE (30/12/85)	244.79	246.24	247.58	246.87	255.95 (23/2)	202.89 (8/5)
SWEDEN						
Jacobson & P. (31/12/56)	2706.50	2689.80	2704.60	2711.40	2782.10 (6/5)	2111.39 (28/1)
SWITZERLAND						
Swiss Bank Corp (31/12/58)	613.3	610.40	613.00	612.70	613.30 (22.6)	564.5 (25/2)
WORLD						
M.S.Capital Intl. (1/1/70)	(u)	458.20	459.20	464.60	480.30 (12/6)	361.3 (2/1)

**Saturday June 27: Nikkei Index: 24,902.72.

Base values of all Indices are 100 except Brussels SE—1,000 JSE Gold—255.7 JSE Industrials—264.3 and Australia. All Ordinary and Metals—500; NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities. 40 Financials and 20 transports. (c) Closed. (u) Unavailable.

NYSE-Consolidated 1500 Actives

	Stocks Traded	3.00p.m. Price	Change on Day
E II Hold	3,771,300	14⅝	unch
Cons Pwr	3,697,100	36⅞	— ⅛
Banctex WI	3,580,000	1 1/128	+ 1/128
ATT	3,025,100	29⅛	+ ¾
Union Carb	2,635,400	36⅝	+ 1¾
Santa Fe	1,738,300	52	— ⅛
Cons Rail Cp	1,321,200	33	+ ½
P Svc Col	1,252,400	22⅝	unch
Sw Bell Cp	1,202,400	38⅞	unch
Phillips Pet	1,194,100	16⅞	+ ⅜

Advances 785 Declines 425

LONDON — Most Active Stocks
Thursday, July 2, 1987

	Stocks Traded	Closing Price	Change on Day
Brit Telecom	19.6m	279½	+ ½
Brit Airways	17.9m	155	+ 9½
Mrks & Spncr	12.0m	254½	+14½
BP	10.8m	398	+12
Boots	7.2m	294	+ 5
Rolls Royce	5.3m	117	− 1
Beecham	4.7m	558	+18
Gen Elect	4.5m	236	− 1
BTR	3.9m	323	+ 8
Sedgwick	3.8m	312	+10

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Continued from Page 43

Stock	Sales (Hnds)	High	Low	Last	Chng
OpticC	41 1072	18¼	17¼	17¾	−½
OpticR	26 212	25¾	25¼	25¼	−½
Oracles	64 1228	22¾	21¾	22½	+⅜
Orbit	13 915	10⅛	10	10⅛	
OshBA .54	23 9	75¼	74½	74½	−¾
OshkTB .30	10 318	28⅛	28¾	28¾	−¼
OttrTP 2.92	12 21	43½	43	43	−½
OwenMn.32	15 376	19½	19¼	19⅜	−⅛
P Q					
PACE	93	6⅞	6¾	6⅞	+⅛
PCS	60 238	u32¼	30½	31¾	+1
PNC 1.68	10 609	49	48⅝	48½	−⅛
Pacar 1.60a	20 221	69	68¼	68½	
PacFst .20e	5 857	22¼	22	22	−⅛
Pantera	42 482	12¾	12¼	12¼	−⅜
Parisan	14 41	18¾	18¼	18½	
PaulHr	23 234	24⅞	24½	24¾	
Paychx	43 53	26¼	26	26	
Payco	30 721	13⅛	12¾	12⅝	
PegGld	56 1269	20⅛	18¾	19¾	+¾
Penbcs .68	13 40	29¼	29	29	−¼
Pentair .68	16 20	27½	27½	27½	
Penwst	16 59	46¾	46	46½	+½
PeoBnC 1	60 16	68¾	68½	68¾	
PeopHrt.09e	401	19¾	19½	19¾	
PSBMas .60	248	17	16½	16½	−½
PeoWst	58	28⅝	28⅛	28⅝	+⅛
PercTe	27 203	17½	16¾	17½	+¾
PerpSs	7 102	12⅝	12⅜	12⅝	+¼
Petrite 1.12	31 129	u37¾	36½	37½	+1½
Phrmct	989	4¾	4⅝	4¾	
Phrmcl.15e	30 500	23¼	23	23⅛	+⅛
PhnxRe	136	11½	d11	11¼	
PicSave	24 482	25⅛	24⅞	25	
PicCafe .48	18 52	20¾	20¾	20¾	+¼
PionHi 1.04	19 122	35½	35	35½	−½
PlyFve	17	12¼	12	12	
PlcyMg	28 782	25¼	24¼	25	+½
Porex .10e	10 168	34¼	34	34	
Possies	60	13½	13	13½	
PoughSv.10e	8 30	16	15⅝	15⅝	−⅛
PrecCst .08	27 312	36¾	36	36¾	+¾
PresLfs .08	8 40	17½	17	17	
PrstnCp .50	16 21	16¾	16¼	16¼	−½
Priam	516	4⅝	4½	4⅝	
PriceCo	32 2995	46	44¾	46	+1
ProsTR	19 5	39	38½	38½	−¼
PrinvD .16b	64 30	10⅞	10¾	10⅞	+⅛
ProsGp	1259	10⅛	9⅞	10	
ProtLfe .70	10 158	14	13¾	13¾	−⅛
PrvLfe .84	6 952	20¾	20¼	20⅝	+⅜
PgSdBs .72	10 343	25¼	24½	24⅞	−⅛
PulitzPb .40	38 42	42½	41¾	41¾	−¼
PuntBs .11	23 740	25½	25¼	25¼	−¾
PyrmT	75	9½	9¼	9½	+¼
QMeds	195	11⅛	10¾	10¾	−½
QVC	642	10¾	9½	10	−¼
Quantm	17 838	16¼	15¼	16¼	
Quiksiv	19 79	11⅝	11½	11½	−⅛
Quixte	151	12¾	12½	12⅝	
R R					
RPM .72	20 411	21⅝	21¼	21¼	
RadSys	14 264	9⅝	9⅜	9½	
Rainer 1.16	15 567	52¾	52¼	52⅝	
Reeves	16 604	9⅝	8⅞	9⅝	+¼
RgcyEl .20	172	6½	6¼	6⅝	−⅛
Regina	29 46	40¼	39¼	39½	−¾
RntCtrs	32 122	22	21½	22	
Repign	100	18	17½	17¾	+¼
RepAm.20e	10 940	17⅛	17	17⅛	+⅛
ReutrH .59e	822	83⅛	82¾	83	+¾
Rexon	24 985	9¾	9⅝	9⅝	−⅛
ReyRy .78	14 1257	32¾	31¼	31½	−1
RhonPl	722	31½	31½	31½	−⅛
Ribilm	1100	11	10⅛	10¾	+¾
RohmHl	97	16⅝	16	16⅝	+¼
RiggsNt1.10	12 43	29¼	28¾	29¼	+¼
RoadSv1.10	21 96	37	36¾	36¾	
RochCS	252	12⅞	12¾	12⅞	
RgrCbA	266	16	15¼	16	+¾
RavitFd	451	9⅛	8⅞	9	
RoseBs.16a	14 81	18¼	17½	17½	−½
Rospatch.15j	68	18⅝	18⅜	18⅝	+⅝
RossStr	1526	9⅛	8½	9⅛	+⅝
Rouses .40	413	23¾	23⅛	23¾	+¼
RyanFs .55	706	13⅛	13	13¼	
S S					
SCI Sys	27 950	19¾	19⅝	19¾	+⅛
SEIs	274	17	16¾	17	
SHL Sys	919	18½	18¼	18¼	
SKFAB1.47e	105	53¼	53	53	−⅜
SPIPh .07	20	10½	10½	10½	+½
Satchls .87i	372	33⅝	33⅛	33⅝	+⅛
Safecds .24	23 2406	20¼	18¾	20⅛	−⅛
Safecos .98	8 3624	31	30½	30⅞	−⅛
SageSit	34 328	14¾	14	14¾	−¼
StJudes	18 143	24¼	23¾	24	−¼
StPauls1.76	11 1803	46½	45¾	46¼	+¾
SalCpt	10 241	10¼	9½	10¼	+½
Salick	28 2960	13⅛	11⅞	13	−¼
SFFdl	176	17	16½	16⅞	+⅛
Sanfrds	19 365	27½	27	27	−⅜
ScanTrs	17 16	11¾	11¾	11¾	
Scherer .32	23 399	18¼	17⅞	18	+½
Scholas	1	44⅝	44⅝	44⅝	
SchlAs .40	16 235	31½	30¾	30¾	−¾
Scimds	225 235	11⅝	11	11¼	+⅛
SciMic	98 78	5⅞	5⅝	5¾	+⅛
Seagate	14 10509	33¾	32¼	32⅝	−1
SeamF	551	24	23¼	23¼	−¾
SEEQs	215	9	8⅝	8¾	+¼
Selctins .92	12 251	26	25⅝	26	
Sensor .05	28 874	11⅝	11⅛	11½	−⅛
SvcMer .08	1856	8	7⅞	7⅞	
SvOak .16	14 98	12	11⅞	12	+⅛
ShrMed .72	21 3789	27½	27	27¼	+⅛
Shwmt 2.04	9 180	46⅝	46⅛	46⅛	−⅛
Sheldls	20 25	9	8¾	8¾	
Shoneys .16	35 173	30	29⅞	30	
Shorwd	17 302	19¼	18¾	19	+¼
SigmAl .28	31 147	44¾	44½	44⅝	+¼
SigmDs	20 571	14	12¾	14	+1
SlionGr	63 868	19½	18½	19¼	+½
SliconS	22 221	9⅞	9¾	9¾	−⅛
Silionx	24 210	10½	10¼	10⅝	+⅛
SilvLis	200 78	6	5⅞	6	+⅛
SlvStMn	41 1018	2½	2⅜	2 7-16	+1-16
SimAir	6 39	8½	8¼	8¼	
Sizlers	24 357	19½	19	19½	+¾
SmithFs	11 38	21	20¾	20¾	
Societys1.20	9 24	33½	33	33	−½
SoctySv .36	11 148	21	20¾	20⅞	−⅛
SoftwA	19 73	13⅝	13⅜	13⅝	+⅛
SthwPb	20 169	9	8¾	9	+¼
SomrSv	169	12¼	12⅛	12⅛	
SonocPs	21 140	26¾	26¼	26¼	−¼
SCarNa .58	11 390	23⅛	22⅝	23⅛	+⅜
Souner	26 56	19¾	19½	19½	−½
StadFn	924	7⅜	7⅛	7⅜	
Sovran 1.36	10 1723	35¾	35⅛	35⅛	−⅜
Speedy	60 1349	u44⅞	44¾	44⅞	+¼
StdMic	1690	14¼	13⅝	14¼	+⅛
StdRegs .44	21 69	25¼	24¼	24½	−½
UStatn .24	20 505	19	18½	19	
UVaBk 1.04	11 485	31⅞	31	31⅞	+1⅛
UnvFrs	17 1285	18¼	17½	18	
UnvHlt .33e	19 536	7⅞	7¾	7¾	

LONDON
Chief price changes
(in pence unless otherwise indicated)

RISES:

Abdn Stk Houses	78	+10
Amber Day	90	+20
Argyll Gr.	469	+10
Assoc. Brit. Ports	617	+10
Babcock Intl.	225½	+ 4½
Beecham	558	+19
Black (A.&C.)	560	+40
Bl. Circle	513	+14
Bolton Txtle	90	+16
Brit. Assur.	£12	+ ⅝
BP	398	+12
Britoil	315½	+11
CCA Galls	212	+59
Carless Capel	145	+ 7
Cookson	750	+38
Cowie (T.)	760	+50
Davy Corp.	203	+20½
Legal & Gen	358	+ 9
Lonrho	292½	+12
Mrks & Spncr	254½	+14½
Octopus Pblshg	487	+57
Pilkington Bros.	989	+19
Porter Chad.	445	+128
Rugby Prtlnd. C.	268	+ 6
Sedgwick	312	+10
Underwoods	201	+14
Vickers	219	+14
Wellcome	466	+14

FALLS:

Rothschild (J.)	196	− 4½

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock		Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
35	20⅛	AAR	s	.50	1.5	23	194	33⅛	32¼	32⅞	+⅝
37	21⅞	ADT		.92	2.9	18	50	32⅛	32	32	−⅛
27¾	16¾	AFG	s	.16	.6	12	1048	27	26½	27	+⅜
22⅝	8⅝	AGS	s			16	399	17⅝	17¼	17¼	
12⅞	6½	AMCA					39	7¾	7¾	7¾	−⅛
9⅝	4⅞	AM	Intl				422	7⅝	7¼	7⅝	+¼
62⅞	47¼	AMR				12	3013	58¾	58⅛	58¾	+¾
27½	26⅝	ANR	pf 2.67		10.		2	26½	26½	26½	+¾
25	21½	ANR	pf 2.12		9.3		1	22¾	22¾	22¾	
15¾	8	ARX	s			12	41	10½	10⅜	10½	
73½	28¾	ASA		2a	3.5		421	58	57½	57½	−¼
20	9¾	AVX			1.8	90	583	18	17⅞	18	+⅛
67	41	AbtLab		1	1.6	26	3977	63	61¾	61¾	−⅝
26	26	Abitibi	g				1000	25⅝	d25⅜	25⅝	−⅜
28¾	16⅝	AccoWs		.44	1.5	26	3228	28⅝	28½	28⅝	+⅛
15⅛	9	AcmeC		.40	3.0	9	753	13⅜	12⅞	13⅛	+⅛
23⅞	19	AdaEx		3.42e	16.		x69	22¼	22	22	−⅛
19½	11⅜	AdmM	s	.24	1.5	12	1	16¼	16¼	16¼	+⅛
25⅛	12⅛	AdvSys		.62t	2.6	17	101	24½	23¾	23⅞	−¾
24½	12⅞	AMD					2389	19¼	18⅞	19⅛	+⅜
54¾	48½	AMD	pf	3	6.2		120	48¾	48⅝	48¾	+¼
10¾	5¼	Adobe					174	9⅝	9⅜	9½	+¼
20½	13¾	Adob	pf 1.84		9.7		27	19¼	18⅞	18⅞	−⅛
21⅞	16⅜	Adob	pf 2.40		11.		6	21¼	21	21	−¼
15⅝	10⅝	Advest		.12a	.9	9	260	13	12⅝	13	+½
68¼	53	AetnLf		2.76	4.6	9	7264	59⅞	59⅜	59⅝	−⅜
96	87¼	AetL	pfC4.70e		4.9		1319	u97⅛	96	96¾	+¾
64½	26½	AfilPb	s	.32	.5	31	96	60½	59⅝	59⅝	−1⅛
[illegible]											

Continued on Page 43

NYSE COMPOSITE CLOSING PRICES

Continued from Page 42

X Y Z

81¼	48⅝	Xerox	3	3.9	18	4360	77¼	76⅞	77	+⅜
56¾	54¼	Xerox pf5.45		10.		28	54¾	54½	54¾	
28¾	21½	XTRA	.64	2.5		33	25⅞	25¾	25¾	+⅛
27¼	15	Yorkin			17	270	26½	25⅞	26½	−⅛
6	2¼	Zapata				897	5¼	5	5¼	+⅛
43⅞	20¾	Zayre	.40	1.4	17	4186	28	27¾	27⅞	
14¾	9¾	Zemex	.40	3.0	8	7	13¼	13⅛	13⅛	+⅛
29¾	18⅞	ZenithE				1105	27	25¾	27	+1¼
17	8	ZenLab				404	10⅜	10¼	10¼	−⅛
18½	12⅜	Zero	.36	2.1	18	346	17	16¾	17	+¼
28½	16⅝	Zurnln s			19	118	u28¾	28⅛	28½	+¼
10⅝	8¾	Zweig n.65e		6.3		2344	10¼	10	10¼	+⅛

· Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in-full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Continued on Page 41

FINANCIAL TIMES

WORLD STOCK MARKETS

AMERICA

Dollar advance supports solid pre-holiday gain

WALL STREET

BOOSTED by stronger bond prices, Wall Street stocks notched up solid pre-holiday weekend gains, *writes Roderick Oram in New York.*

Bonds benefited from a fairly steady dollar and weaker than expected employment figures for June. Prices edged up about ½ a point at the long end.

The Dow Jones industrial average was up 26.94 points at 2,436.70, close to its best levels of the session. It was strong from the opening as were broader market indices. The Standard & Poor's 500 and New York Stock Exchange composite indices were up 2.69 to 305.63 and by 1.31 to 171.83 respectively.

Wall Street has a tradition of firm sessions before a holiday weekend although this time last year the market slipped before the Independence Day weekend and plunged after. Memories of that rough patch might have kept some investors on the sidelines yesterday and consequently trading volume was moderate. Foreign investors were heavily involved at the opening of the session, traders said.

Drug stocks were one of the more active groups. Merck rose $3½ to $177⅞ on top of a $3¾ gain on Wednesday. Several analysts have raised their earnings estimates and regulatory approval is expected soon for its Lovastatin drug used to treat high cholesterol levels.

Among other drug companies, Squibb gained $1¼ to $87½, Pfizer added $1⅞ to $72¾ and Eli Lilly rose $⅞ to $94¼ although Abbott Laboratories dipped $⅝ to $61¼.

Union Carbide rose $1¾ to $30⅜ on just under 3m shares. At a press conference in India earlier this week it presented evidence which it said proved that employee sabotage caused the Bhopal gas disaster which killed more than 2,000 people.

E-II up $¼ from its first trading price of $14¾ was the most active New York Stock Exchange issue with 4.2m shares traded by the close. A total of 28m shares were floated yesterday at $15. E-II Holdings is a new takeover vehicle launched by Mr Don Kelly, former chief executive of Esmark.

Metromail leapt $9½ to $29½ on heavy volume which made it the most active over-the-counter issue. The direct mail and telephone marketing group has accepted a $29¾ takeover offer from R.R. Donnelley, a major printer which slipped $⅛ to $38½.

Chicago Pacific put on $2 to $52¾ after forecasts from the household appliance manufacturer that second quarter operating profits roughly doubled to around 82 cents a share.

Unitrode fell $1¼ to $11⅛. The semiconducter maker said it would suffer a "significant operating loss" in the second quarter ending August 1. Shipments of products have been delayed because the Pentagon told it to improve its documentation.

Culbro added $3⅞ to $45 after announcing the sale of a snack food unit to Borden which slid $⅛ to $59.

Koppers rose $1⅞ to $42¾. The building materials supplier joined the Standard & Poor's 500 index yesterday.

Credit markets were helped by a stronger currency and economic news. The 116,000 jobs created in June were close to half the number forecast. This implied that the economy was growing slowly which in turn should help to moderate interest rates.

The benchmark 8.75 per cent Treasury long bond was up ½ a point by early afternoon to 103 13/32, yielding 8.43 per cent.

The Fed funds rate sprung back to 6¾ per cent after ending Wednesday at 5 per cent. The easier rate in recent days had led to some speculation that the Federal Reserve was taking a more lenient view towards short term interest rates now that the dollar has begun to edged back up. It had "snugged up" rates this spring to lend the currency support. But there is only skimpy evidence of easing and the temporary reduction was more likely due to market factors.

The increase in Fed funds rate at which banks lend reserves to each other had a mixed effect on short term interest rates. The bond equivalent yield on three-month Treasury bills rose five basis points to 5.84 per cent but bank short term rates fell by some seven basis points.

CANADA

TORONTO ADVANCED in line with Wall Street, with golds and other metals scoring the best gains.

On the active list, Campeau Corp. rose C$1¼ to C$40¼, MacMillan Bloedel put on C$½ to C$27⅞ while in metals and mines, Alcan Aluminium rose C$⅝ to C$41, Noranda added C$⅝ to C$28⅞ and Falconbridge inereased C$⅜ to C$21⅝.

In golds, Dome Mines was up C$¼ at C$17⅞, Echo Bay up C$¼ to C$47¼ but LAC Minerals down C$½ at C$39⅞ and International Corona down C$⅝ at C$39¼.

SOUTH AFRICA

THE GENTLE decline in the bullion prices left Johannesburg gold share prices mixed in featureless trading.

Among those which advanced, Vaal Reefs rose R3 to R417 and Ofsil was R2 higher at R137. ERPM, though, lost R1 to R39 and Loraine shed 75 cents to R25.25.

Other mining issues were generally firmer, with diamond De Beers improving 35 cents to R41.20 and platinum Rustenburg 75 cents up at R53. Mining financials were largely unchanged.

Industrials were mixed.

Peter Ungphakorn on an effect of Bangkok's economic buoyancy

Thai shares reach confident peak

THAILAND's Securities Exchange share price index yesterday broke through the psychological 300 mark fuelled by expected improvements in second-quarter company earnings.

In the first day's trading after the mid-year break on Wednesday, the SET index rose 5.58 to 305.45. Of its 93 securities, 72 were traded, with the 2.25m shares representing a turnover of baht 489.38m ($18.95m).

At the beginning of the year, turnover averaged about baht 200m; recently it has topped baht 600m.

The SET index has more than doubled since the bullish trend started in July last year. On May 13, when the index overtook the eight-year-old record of 286.20, analysts predicted it would reach 300 by the end of the year. However, the mark has been surpassed in only eight weeks, as share price rises have accelerated.

The strength of the economy is the prime mover of investor confidence. This year it is expected to grow by more than 5 per cent, compared with less than 4 per cent in each of the past two years. Lower interest rates and surplus liquidity in the banking system have also contributed to bullishness.

Foreign institutional investors, chasing what they regard as underpriced equities, have added to confidence. Price earnings ratios on the exchange average about 14, considerably lower than in other markets in the region.

The exchange is dominated by bank and cement shares. Automotive, textiles, and commercial shares have also fared well.

Despite the strength of Thailand's economic fundamentals, the exchange's management has repeatedly warned against excessive speculation and has imposed stringent limits on credit for margin trading. It has also warned against insider trading and share manipulation.

Most observers predict the exchange will continue to boom, although some say share performances are analysed too simplistically, with companies' quarterly performances simply extrapolated to cover the whole year.

In an attempt to add to the number of quoted stocks, the exchange is soon to set up a second board for companies which do not meet the stricter ownership distribution requirements of the main board.

EUROPE

Brussels at new high as Frankfurt recovers

EUROPEAN BOURSES recovered well from Wednesday, with Brussels particularly bullish – the stock index there reached a record high – and Frankfurt making a good recovery after two bad days.

Brussels was in buoyant mood and shares closed sharply higher almost across the board in busy trading, with the holding, Reserve, and the chemical sector showing the largest gains. The cash market index finished 49 points higher at a record 4,829.61.

Market leader Petrofina rose BFr 250 to BFr 11,850 and Gevaert BFr 150 to BFr 7,150. Reserve rose BFr 125 to BFr 4,000, continuing the strong performance of last week. Among other holdings, Sofina put on BFr 300 to BFr 15,000 and GBL rose BFr 80 to BFr 3,680, reversing recent losses.

In chemicals, Solvay added BFr 875 to BFr 13,475 and UCB put on BFr 100 to BFr 10,100. Utilities were generally strong, with Electrafina rising BFr 170 to BFr 7,550 and Intercom BFr 55 to BFr 4,055. In insurances, AG put on BFr 200 to BFr 6,200.

Frankfurt recovered well after a two-day decline caused by concern over Siemen's profits. Siemens rose DM 4.90 to close at DM 690.50, but was off a session's high of 694. AEG remained unchanged at DM 312.

Cars fared well, boosted by favourable profit and turnover news from BMW and VW at their annual meetings. VW gained DM 7.40 to DM 418.90 after reporting that in the first half of 1987 its parent company's net profit was up slightly on the DM 235m result posted in the same period last year.

BMW jumped DM 28 to DM 697 after reporting that first-half 1987 parent sales rose 17 per cent to DM 8.92bn against the same period last year. Daimler, ex a DM 12 dividend, rose DM 7 to DM 1.097 and Porsche gained DM 7 to DM 972.

Puma, the sports manufacturer, jumped DM 21 to DM 426 on rumours that another company was interested in taking a stake.

The Commerzbank index of 60 leading shares, calculated at mid-session, jumped 34.7 points to 1,875.9 and the FAZ index closed at 620.01, up 11.18 points.

Zurich closed steady to higher after a moderately active session which saw fresh buying after Wednesday's losses.

Credit Suisse bearer edged up SFr 10 to SFr 3,140 and Swiss Bank bearer firmed SFr 6 to SFr 460.

Nestlé bearer gained SFr 25 to SFr 9,275 but Hero registered fell SFr 50 to SFr 5,325.

Paris, in common with the other bourses, posted an advance in the general market indicator, up 2.13 per cent.

In the food sector, BSN rose FFr 230 to FFr 4,860, Moët-Hennessy added FFr 75 to FFr 2,700 and Générale Occidentale was up FFr 35 to FFr 1,189.

Amsterdam closed up, with the Bourse general trend index at 97.8, compared with 96.9 the previous day. The long-awaited formal bid for Elsevier for rival publisher Kluwer did not diverge from plans already announced and made little impact. Elsevier closed 30 cents up on the day at Fl 54, with Kluwer Fl 1 up at Fl 399.

Milan produced a weak underlying tone and, although volume improved marginally on the previous day, the MIB dropped 1.06 to close at 936.

Fiat fell L270 to close at L12,630 but recovered slighty in post-close trading. Olivetti ordinary dropped L69 to L12,401 and Montedison closed at L2,280 from L2,350 previously.

Madrid suffered from profit-taking and the general index closed 1.45 points down.

Oslo share prices showed minimal gains in dull trading, with the all-share index inching 0.8 of a point higher to 330.68.

Stockholm experienced light trading and prices advanced modestly. The Affars Varlden general index advanced 0.7 to 805.6.

LONDON

SELECTIVE buying from Japan helped the UK stockmarket to rebound, with pharmaceuticals and privatisation stocks showing good gains.

The FT-SE 100 index briefly pushed through the 2,300 mark but closed off the top at 2,297.4, up 27.6 on the day. The FT Ordinary index gained 22.5 to 1,794.6.

The upturn in the equities was not followed in the bond market, where higher money market rates and disappointing UK currency reserve totals for June, dispelled lingering hopes for a cut in UK bank base rates. Details Page 40

ASIA

Hong Kong, Singapore regain record levels

TOKYO

BUYING ENTHUSIASM gathered momentum and sent share prices sharply higher in Tokyo yesterday, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei average of 225 select issues gained 384.06 points to 24,636.46. Volume rose to 956.30m shares from Wednesday's 828.49m. Gainers far outnumbered losers by 648 to 279, with 114 issues unchanged.

Investors stepped up buying in the belief that the sharp rally of domestic demand-related stocks on Wednesday had stemmed the market's declines.

However, large-capitalisation stocks and constructions, which performed strongly the previous day, turned easier.

Chemical issues rose to the top of the shopping list on investor expectations of improved earnings.

Mitsubishi Gas Chemical, with 23.32m shares changing hands, surged Y37 to Y702. Tokuyama Soda, on trade of 21.11m shares, ended Y8 higher at Y779.

High-technology stocks attracted strong buying in afternoon trading. Mitsubishi Electric topped the actives with 58.54m shares traded and jumped Y15 to Y680. Fuji Electric, the fifth busiest issue with 24.08m shares, ended Y22 higher at Y623, while Matsushita Electric Industrial gained Y60 to Y2,310.

Oil issues fared well on Opec President Mr Rilwanu Lukman's remark that the cartel might discuss crude oil price rises at its general meeting in Vienna in December. Cosmo Oil leaped Y38 to Y697, Showa Shell Sekiyu Y140 to Y1,460 and Nippon Mining Y44 to Y594.

Among domestic demand-related stocks, large-capital issues were mixed. Nippon Steel, the second most active stock with 33.54m shares, closed Y1 lower at Y318 after rising Y4 at one point.

Kawasaki Steel fell Y5 to Y235, while Ishikawajima-Harima Heavy Industries finished Y5 higher at Y650.

Tokyo Electric Power extended its rising streak, closing Y70 higher at Y8,440. But Tokyo Gas dropped Y40 to Y1,060.

Securities and non-life insurances firmed. Nomura Securities advanced Y140 to Y4,730, and Tokio Marine Fire and Insurance added Y100 to Y2,260.

Toshiba Corp, fourth with 26.79m shares, finished Y15 lower at Y665. Its chairman Mr Shoichi Saba, and President, Mr Sugiichiro Watari, resigned on Wednesday taking responsibility for the sales by a Toshiba subsidiary of strategic machine tools to the Soviet Union in breach of Co-ordinating Committee controls on exports to communist nations. However, Toshiba Machine Co, the subsidiary that caused the scandal, ended Y3 higher at Y440.

Bond prices moved violently. After a firm start, the yield on the benchmark government bond, maturing in June 1996, slipped below 3.500 per cent to 3.400 per cent, on dealers' active buying.

Later, however, selling increased sharply and the yield rose to 3.710 per cent before ending the day at 3.695 per cent, up from Wednesday's 3.640 per cent. The yield slipped to 3.635 per cent in later inter-dealer trading.

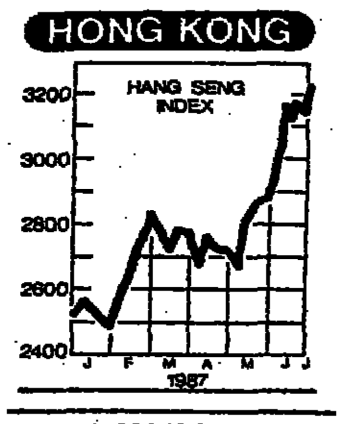
SINGAPORE

SHORT COVERING and solid overseas and institutional support for quality issues pulled Singapore share prices to a record close. The Straits Times industrial index added 7.52 to 1,268.70, surpassing the previous high of 1,265.70 set on June 29.

Selected blue chips fared well. Fraser and Neave rose 50 cents to HK$11.60, ICB added 45 cents to HK$5.75 and DBS 30 cents to HK$14.50. Singapore Airlines recovered Wednesday's loss with a 10 cent rise to HK$12.80.

Avimo jumped 45 cents to an all-time high of HK$4.88. It announced the acquisition of a photographic equipment maker. Its parent, Metro, was up 20 cents at HK$6.35. Banks and properties joined the upswing.

HONG KONG



HONG KONG

UNCONFIRMED rumours of a Japanese buy-out of Hongkong Land boosted its share and with it the rest of the market to leave Hong Kong prices at a new peak. The Hang Seng index rose 65.16 to 3,229.15, beating the previous record of 3,178.98 set on June 24.

Hongkong Land added 30 cents to HK$7.45. Members of the Jardine Matheson group, which includes Hongkong Land, also rose on the rumours. Jardine was up 30 cents at HK$18.50 and Jardine Strategic Holdings 40 cents at HK$12.40.

In strong properties, Cheung Kong picked up 30 cents to HK$12.70, Hang Lung 30 cents to HK$14.80 and New World Development 50 cents to HK$13.20.

Banks, commercials and industrials were buoyant.

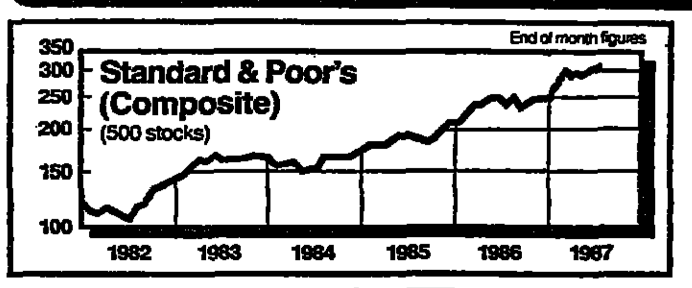
AUSTRALIA

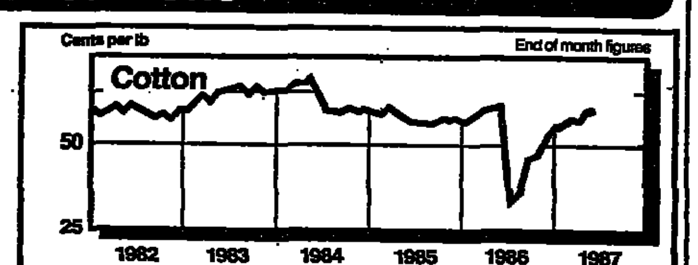
BROADLY-BASED buying renewed the momentum in the Sydney stock market to leave prices sharply higher in busy dealing. The All Ordinaries index closed up 26.2 at 1,800.00, the first time it has hit the level in two weeks.

Retailers flourished on news of a jump in retail sales. Coles Myer finished 26 cents up at A$7.46 in a strong session. Woolworths rose 15 cents to A$3.35

Golds and miners also continued recent gains.

KEY MARKET MONITORS





STOCK MARKET INDICES

	July 2	Prev	Year ago
NEW YORK			
DJ Industrials	2,436.70*	2,409.76	1,909.0
DJ Transport	1,030.43*	1,023.45	700.83
DJ Utilities	205.90*	205.95	200.32
S&P Comp.	305.63*	302.94	252.70
LONDON FT			
Ord	1,794.6	1,772.1	1,365.7
SE 100	2,297.4	2,269.8	1,556.70
A All-share	1,161.60	1,149.15	818.87
A 500	1,288.39	1,271.56	900.83
Gold mines	385.7	384.6	199.4
A Long gilt	9.23	9.21	9.36
World Act. Ind (June 30)	129.32	130.64	93.58
TOKYO			
Nikkei	24,636.46	24,252.38	17,669.9
Tokyo SE	2,072.39	2,042.53	1,357.57
AUSTRALIA			
All Ord.	1,800.0	1,774.0	1,149.7
Metals & Mins.	1,079.6	2,612.3	487.0
AUSTRIA			
Credit Aktien	185.41	185.74	244.96
BELGIAN SE	4,829.60	4,780.22	3,680.77
CANADA			
Toronto			
Met.& Mins.	2,829.5	2,778.2	2,107.0
Composite	3,767.7	3,740.2	3,069.9
Montreal			
Portfolio	1,912.91	1,890.42	1,561.33
DENMARK SE			
SE	unch	206.85	216.98
FRANCE			
CAC Gen	407.40	402.80	357.6
Ind. Tendance	104.20	101.90	84.91
WEST GERMANY			
FAZ-Aktien	620.01	608.83	635.18
Commerzbank	1,875.00	1,841.20	1,919.9
HONG KONG Hang Seng	3,229.15	3,163.99	1,760.21
ITALY Banca Comm.	677.85	685.56	696.81
NETHERLANDS ANP CBS			
Gen	306.40	303.50	289.0
Ind	260.70	259.00	286.5
NORWAY Oslo SE	431.75	432.00	358.66
SINGAPORE Straits Times	1,268.70	1,261.18	749.75
SOUTH AFRICA JSE			
Golds	—	2,065.0	1,234.3
Industrials	—	1,931.0	1,175.1
SPAIN Madrid SE	244.79	246.24	169.11
SWEDEN J & P	2,706.50	2,689.80	2,448.64
SWITZERLAND Swiss Bank Ind	613.30	610.4	560.5

COMMODITIES (London)

	July 2	Prev
Silver (spot fixing)	455.80p	449.90p
Copper (cash)	£1,003.95	£1,004.00
Coffee (September)	£1,262.00	£1,257.00
Oil (Brent Blend)	$19.30	$18.975

GOLD ($/oz)

	July 2	Prev
London	$446.75	$448.50
Zürich	$447.25	$448.25
Paris (fixing)	$448.44	$448.82
Luxembourg	$447.90	$450.15
New York (August)	$448.60	$449.40

CURRENCIES (London)

	US DOLLAR July 2	US DOLLAR Previous	STERLING July 2	STERLING Previous
$	–	–	1.6150	1.6165
DM	1.8320	1.8255	2.9575	2.955
Yen	147.25	146.75	237.75	237.25
FFr	6.1075	6.09	9.8625	9.86
SFr	1.5220	1.5150	2.4575	2.455
Fl	2.0640	2.0550	3.3325	3.3275
Lira	1,327	1,322.5	2,143	2,137.75
BFr	37.95	37.85	61.25	61.20
C$	1.3300	1.3295	2.1490	2.1475

INTEREST RATES

	July 2	Prev
Euro-currencies (3-month offered rate)		
£	9⅝	9⅝
SFr	3⅞	3⅞
DM	3⅞	3⅞
FFr	8 1/16	8½
FT London Interbank fixing (offered rate)		
3-month US$	7¼	7 5/16
6-month US$	7 7/16	7½
US Fed Funds	6¾*	6⅝
US3-month CDs	6.65*	7.025
US3-month T-bills	5.68*	5.82

FINANCIAL FUTURES

	Latest	High	Low	Prev
CHICAGO				
US Treasury Bonds (CBT) 8% 32nds of 100%				
June 30 (Sept)	92-08	92-11	91-17	91-19
US Treasury Bills (IMM) $1m points of 100%				
(Sept)	94.13	94.14	94.04	94.03
Certificates of Deposit (IMM) $1m points of 100%				
(Sept)	–	–	–	–
LONDON				
Three-month Eurodollar $1m points of 100%				
(Sept)	92.77	92.78	92.69	92.63
20-year Notional Gilt £50,000 32nds of 100%				
(Sept)	122-00	122-26	121-30	122-15

US BONDS

Treasury

	July 2 Price	July 2 Yield	Prev Price	Prev Yield
7⅝ 1989	100	7.37	99 [illegible]/32	7.44
7 1994	99 [illegible]/32	8.14	96 [illegible]/32	8.21
8½ 1997	101 [illegible]/32	8.30	100 [illegible]/32	8.36
8¾ 2017	103 [illegible]/32	8.53	102 [illegible]/32	8.49

Source: Harris Trust Savings Bank

Treasury Index

Maturity (years)	July 2 Return index	Day's change	Yield	Day's change
1–30	163.17	+0.23	6.93	−0.03
1–10	154.63	+0.12	6.66	−0.03
1– 3	144.03	+0.07	6.37	−0.03
3– 5	157.57	+0.17	6.71	−0.03
15–30	193.58	+0.59	7.78	−0.03

Source: Merrill Lynch

Corporate

	July 2 Price	July 2 Yield	Prev Price	Prev Yield
AT & T 3⅞ July 1990	93.25	6.40	93.24	6.40
SCBT South Central 10⅜ Jan 1993	103.0	10.16	103.0	10.16
Phibro Sal 8 April 1996	92.17	9.15	92.32	9.30
TRW 8⅜ March 1996	95.46	9.20	97.05	9.25
Arco 9⅞ March 2016	103.14	9.55	102.15	9.25
General Motors 8⅜ April 2016	86.078	9.55	85.65	9.60
Citicorp 9⅜ March 2016	92.753	10.04	92.79	10.15

Source: Salomon Brothers

* Latest available figures